


OPEN MEETING ITEM**MEMORANDUM**

TO: Docket Control

FROM: Elijah O. Abinah
Director
Utilities Division



DATE: October 21, 2022

RE: IN THE MATTER OF IMPACT OF THE CLOSURES OF FOSSIL-BASED
GENERATION PLANT ON IMPACTED COMMUNITIES. (DOCKET NO.
E-00000A-21-0010)

SUBJECT: REVISED STAFF REPORT AND PROPOSED ORDER

On September 28, 2022, pursuant to Decision No. 78582, which modified Decision No. 78498, the Arizona Corporation Commission Staff ("Staff") filed its Staff Report. On September 30, 2022, Staff filed its Proposed Order. In its Staff Report, Staff requested that comments be filed by October 14, 2022. Based on the comments filed in the docket in response to the Staff Report and Proposed Order, specifically the comments filed by the Navajo Nation and the Residential Utility Consumer Office ("RUCO"), Staff believes it is necessary to clarify and revise its Recommendation No. 1 and 2. Attached are Staff's Revised Staff Report and Revised Proposed Order.

EOA:BD:elr/MAS

Originator: Beatrice Deezua

REVISED
STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

ACC- ELECTRIC
DOCKET NO. E-00000A-21-0010

**IN THE MATTER OF IMPACT OF THE CLOSURES OF FOSSIL-BASED
GENERATION PLANT ON IMPACTED COMMUNITIES.**

OCTOBER 21, 2022

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EXECUTIVE SUMMARY
BY
BEATRICE DEEZUA
ACC- ELECTRIC
DOCKET NO. E-00000A-21-0010

In December of 2020, the Arizona Corporation Commission (“ACC” or “Commission”) issued Decision No. 77856 in Docket No. E-01933A-19-0028 directing the Commission’s Utilities Division Staff (“Staff”) to open a generic docket. The generic docket was to address the impact on communities of the possible early closures of fossil-based generation plants.

On January 12, 2021, Staff requested this docket be opened (Docket No. E-00000A-21-0010) to investigate the impacts on communities. Based upon Staff’s review and analysis of all of the information provided and comments received from the Task Force Meetings and the Townhalls, Staff has the following conclusions and recommendations:

Conclusions

1. In January 2020, Arizona Public Service Company (“APS”), based on management discretion, announced the early closure of the Four Corners Power Plant (“FCPP”). Prior to the announcement, FCPP had a retirement date of 2038. APS is now proposing to close the plant in 2031. Seven years sooner than earlier projections.
2. The FCPP, from a regulatory accounting perspective, is used and useful until 2038 based on the improvements made to the FCPP following the agreement with the Environmental Protection Agency (“EPA”).
3. Through existing accounting treatment, such as depreciation and remediation funding, the APS ratepayers have already paid a portion of the cost of the FCPP.
4. Early retirement of FCPP may lead to stranded investment costs that APS ratepayers will be asked to pay for in addition to the cost of the replacement power. APS customers may be asked to pay for the same power two times.
5. Ratepayers have already contributed billions of dollars toward the decommissioning fund, taxes, and royalties for FCPP and Navajo Generating Station (“NGS”) (See Exhibits 1 and 2).
6. Since FCPP is physically located in New Mexico, Staff believes this is a multi-state issue and APS ratepayers should not be the only contributors toward compensation for the possible early closure.
7. FCPP is jointly owned by APS, Tucson Electric Power Company (“TEP”), Salt River Project Agricultural Improvement and Power District (“SRP”), and Public Service Company of New Mexico (“PNM”). Staff believes this is a multi-jurisdictional issue and

APS ratepayers alone should not be held responsible for the possible early closure (PNM is not under ACC jurisdiction).

8. Consistent with Commission direction, APS should first seek other means of funding for the possible early closure of FCPP.
9. When announcing the early closure of FCPP in January of 2020, APS had a pending rate case application. The application was not amended to account for the possible early closure, although APS eventually addressed the issued in its rebuttal testimony. APS did not provide the economic impact on the ratepayer.
10. APS unilaterally signed a Memorandum of Understanding ("MOU") with the Navajo Tribe without consultation with the Commission or the Residential Utility Consumer Office ("RUCO").
11. Absent APS's announcement to shut down FCPP early, there would not be a need to address the impact to communities.
12. If ratepayers are to be assessed a surcharge today, it would be difficult, if not impossible, to recoup the surcharge dollars if APS reverses its decision on the early closure.

Recommendations

In making its recommendations, Staff considered the fact that APS did not provide any information to justify its request for a surcharge nor did APS provide any information or analysis as to the economic impact to ratepayers.

In addition, since the new early closure is not until 2031, Staff believes it is premature to authorize a surcharge. Considering all the resource needs going forward and the availability of those resources at critical times throughout the day, APS may need to reconsider closing Four Corners. Staff is not in a position to tell APS management what to do or not to do when managing the resources for the Company.

1. Staff believes APS should honor the MOU or any other tribal payment obligations or commitments made. Although Staff recognizes the existing MOU, consistent with Decision No. 78317, specifically on page 172, lines 14 and 15, where the Commission declined to approve the MOU, Staff continues to recommend that the Commission not approve the MOU. As stated, APS unilaterally signed an MOU to commit millions of dollars of ratepayer funds without consulting with regulators and the agency that is responsible for protecting residential ratepayers. Based on all of this, APS should honor the commitment without ratepayer funds.
2. Staff recommends that APS ratepayers not be assessed an added surcharge to reflect the provisions of the MOU or any other items raised in this proceeding.

3. Staff recommends that APS look for grant opportunities that may be available to assist the Navajo Nation and Hopi Tribe with the upgrading of infrastructure and living conditions with the tribal areas. APS should docket its findings within 120 days of a Decision in this case.
4. Since this is a state-wide issue, Staff recommends that APS seek the assistance of the legislature and the governor to secure additional funding to assist the tribal communities.
5. Staff believes that APS and/or TEP should provide all economic impact studies performed, at least two years before APS and/or TEP commences early closure of a fossil-based generation plant to demonstrate the economic impact on the customers.
6. After the completion of the economic impact studies noted in Recommendation 5, APS and/or TEP should docket a proposal for the repurposing of plant facilities/land/services that are within the ownership/control of APS and/or TEP within 90 days.
7. If the determination is made to proceed with closing the FCPP early, APS should, at least four years prior to the closing of the plant, begin offering training and educational opportunities for those affected by the early closure of the plant.

I. INTRODUCTION

On December 31, 2020, the Arizona Corporation Commission (“ACC” or “Commission”) issued Decision No. 77856 (Docket No. E-01933A-19-0028) ordering the Commission’s Utilities Division Staff (“Staff”) to open a generic docket to “address the impact of the closures of fossil-based generation plant on Impacted Communities.”¹ On January 12, 2021, Staff requested that this generic docket entitled: “Impact of the Closures of Fossil-Based Generation Plant on Impacted Communities” (Docket No. E-00000A-21-0010) (“Generic Docket”) be opened.² This Report is the culmination of the substantial efforts of the three Task Force sub-groups required by the Commission and their participants, and includes analysis of recommendations made by the various participants in those workshops, and consideration of comments at Town Hall meetings held during the summer of 2022.

II. BACKGROUND

In Decision No. 78317 (November 9, 2021), the Commission ordered Staff to hold a procedural workshop and an initial substantive workshop within 90 days of the date of the Decision to address engagement of various stakeholders, finding and obtaining opportunities for federal or state funding or other support for impacted communities, assisting efforts to seek funds or other forms of support for impacted communities, establishing a task force for the development of ACC policy on issues concerning Arizona-impacted communities, and holding workshops, town halls, and other activities to seek a reasonable and timely resolution of these items.³ Decision No. 78317 also required Staff to propose a timeline of ACC activities to address the above within 30 days of conducting the procedural workshop.

On January 6, 2022, Staff conducted a procedural workshop pursuant to Decision No. 78317.⁴

On January 28, 2022, Staff docketed a Memorandum and Proposed Order with a proposed procedural timeline pursuant to Decision No. 78317.⁵

On February 2, 2022, Staff conducted an initial substantive workshop pursuant to Decision No. 78317.⁶

The matters discussed during the initial substantive workshop centered around finding/seeking available funding as well as other forms of support for impacted communities, the

¹ Decision No. 77856, 202, Docket No. E-01933A-19-0028, Dec. 31, 2020, <https://docket.images.azcc.gov/0000202798.pdf>.

² Memorandum: Request for a New Docket, Jan. 12, 2021, <https://docket.images.azcc.gov/E000011116.pdf>.

³ Decision No. 78317, 431-32, Nov. 9, 2021, <https://docket.images.azcc.gov/0000205236.pdf>.

⁴ Special Open Meeting, Arizona Corporation Commission, Jan. 6, 2022, https://azcc.granicus.com/DocumentViewer.php?file=azcc_fe10040e8e4fcf131bb90ed977b1fd86.pdf&view=1.

⁵ Memorandum: Proposed Procedural Timeline, <https://docket.images.azcc.gov/E000017628.pdf>.

⁶ Special Open Meeting, Arizona Corporation Commission, Feb. 2, 2022, https://azcc.granicus.com/DocumentViewer.php?file=azcc_a6fb4a57158257e910a98f40dde559eb.pdf&view=1.

development of a Policy Task Force among governmental entities and local advocates, examining or resolving as well as addressing questions related to the potential provision of financial and other forms of support by regulated utilities, and engaging governmental and other entities on these issues in addition to the ACC.. Presentations were provided by various utilities, including Arizona Public Service Company (“APS”) and Salt River Project (“SRP”), and stakeholders including the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization (“IWG”) and A Just and Equitable Transition Policy-Workgroup (“JET”). Additional information and details regarding the initial substantive workshop are accessible through the Commission’s Docket Control as well as archived recordings accessible on the Commission’s website under “Workshops”.^{7,8}

On March 2, 2022, the Commission issued Decision No. 78498, adopting a timeline of activities in this Generic Docket, specifying the structure and membership of a Policy Task Force and directing Staff to create the Policy Task Force and to organize town halls in specified locations.⁹ The timeline of activities adopted by the Commission included Policy Task Force meetings, in-person and virtual community town hall meetings, a second substantive workshop to discuss recommendations of the Policy Task Force, and a Staff Report and Recommended Opinion and Order based on the docketed Policy Task Force recommendations.¹⁰

On May 18, 2021, the Commission issued Decision No. 78016, modifying Decision No. 77856 to allow Staff an extension of time to file its recommendations on July 28, 2021.

On May 27, 2022, the Commission issued Decision No. 78582, amending the timeline adopted in Decision No. 78498.¹¹ On June 21, 2022, the Commission issued Decision No. 78587, further amending the timeline.¹² On August 22, 2022, the Commission issued Decision No. 78674, which again amended the timeline.¹³

Pursuant to Decision Nos. 78498 and 78674, this Staff Report summarizes the procedural background and history of Docket No. E-00000A-21-0010, the information docketed by stakeholders, Staff recommendations, and ACC activities pursuant to the timeline adopted in Decision Nos. 78498 and 78674.

⁷ Memorandum: Initial Substantive Workshop Presentations, filed by Staff February 7, 2022, <https://docket.images.azcc.gov/E000017823.pdf?i=1660854012509>

⁸ For the recordings, click on the “Workshops” tab here: <http://www.azcc.gov/live>

⁹ Decision No. 78498, 11, Mar. 2, 2022, <https://docket.images.azcc.gov/0000206080.pdf>.

¹⁰ Id. at 5.

¹¹ Decision No. 78582, May 27, 2022, <https://docket.images.azcc.gov/0000206887.pdf>.

¹² Decision No. 78587, June 21, 2022, <https://docket.images.azcc.gov/0000207020.pdf?i=1663787844781>

¹³ Decision No. 78674, August 22, 2022, <https://docket.images.azcc.gov/0000207406.pdf?i=1663788040338>

III. HISTORY

A. Coal Fired Generation in Arizona

According to the United States (“U.S.”) Energy Information Administration, in 2021, 99 percent of Arizona’s total electricity net generation was provided from six sources: natural gas (43 percent), nuclear power (28 percent); coal (13 percent); solar energy (nine percent); hydroelectric power (five percent) and wind (one percent).

At this time, Arizona still has four operating coal-fired generating plants, many of them on tribal lands and in various stages of early retirement. These plants include the Apache Generating Station, the Cholla Power Plant; the Coronado Generating Station, and the Springerville Generating Station. Arizona also receives electricity from the Four Corners Power Plant (“FCPP”), located in Farmington, New Mexico.

Most of these plants are planned for early retirement in the not too distant future.

The Navajo Generating Station (“NGS”), Arizona’s largest coal-fired plant, was retired in November 2019.

B. Arizona Public Service Company

APS jointly owns several coal-fired power plants located on tribal lands in Arizona and near Arizona. These include the FCPP located near Farmington, New Mexico in which APS is the majority owner and operator holding a 68 percent share of the remaining Units 4 and 5. The other co-owners include Public Service Company of New Mexico (“PNM”) (13 percent), SRP (10 percent) and Tucson Electric Power Company (“TEP”) (seven percent). This plant is projected to be retired in 2031. APS was also a part owner (14.0 percent) of the NGS, along with SRP (42.9 percent) and an additional 24.3 percent for the use and benefit of the federal government, NV Energy (11.3 percent) and TEP (7.5 percent). The NGS was located near Page, Arizona on tribal lands. The plant was retired in 2019, when its lease expired. It was served by the Kayenta mine.

APS also jointly owns the Cholla Generating Station located in northern Arizona near Joseph City, Arizona. APS co-owns Cholla with PacifiCorp. The last of four units are scheduled for retirement in 2025. The plant is served by the McKinley Mine which is located east of Window Rock, Arizona in New Mexico. The Cholla Generating Station is not located on tribal lands.

The Commission issued Decision No. 73183 on May 24, 2012, approving a Settlement Agreement in a rate case. Decision No. 73183 held open the record in the docket to allow APS to file, by December 31, 2013, an application for approval to adjust its rates to reflect its acquisition of Southern California Edison’s (“SCE”) 48 percent share in the FCPP Units 4 and 5, the retirement of FCPP Units 1 through 3, and any cost deferral authorized in that same docket.

On December 30, 2013, APS filed its application for approval of a FCPP rate rider. Included in the application was the Direct Testimony of Ms. Elizabeth A. Blankenship. On page 12 of Ms. Blankenship's testimony, she explained that the depreciation rate used to calculate the depreciation expense for APS's acquired share of Units 4 and 5 was based on an end-of-life assumption of 2038 for Units 4 and 5. Decision No. 74876 (December 23, 2014) approved the rate rider.

A Consent Decree (August 17, 2015) with the Environmental Protection Agency ("EPA") required APS to reduce nitrogen oxide emissions at the FCPP. Selective Catalytic Reduction ("SCR") was determined to be the most effective technology. Decision No. 76295 (August 18, 2017) approved a rate increase for APS and allowed the docket to remain open for APS to file a request that its rates be adjusted no later than January 1, 2019, to reflect its proposed addition of the SCR equipment at the FCPP. On April 27, 2018, APS filed its request in the consolidated Docket Nos. E-01345A-16-0036 and E-01345A-16-0123, again using an end-of-life assumption of 2038 for calculating the depreciation rate.

In January 2020, APS announced that it would end all coal-fired generation by 2031 as part of its commitment to provide customers with 100 percent clean energy by 2050. On March 12, 2021, APS announced plans to move toward operating the FCPP seasonally beginning in the fall of 2023.

C. Tucson Electric Power Company

TEP owns and operates Units 1 and 2 at the Springerville Generating Station located near Springerville, Arizona. Unit 3 is owned (51 percent and 49 percent leased) by Tri-State Generation and Transmission Association. Unit 4 is owned by SRP. It is served by several mines owned by Peabody and the Navajo Nation. TEP's 2020 Integrated Resource Plan ("IRP") calls for a phase-down of its Springerville units, with retirement of one unit in 2027 and the remaining unit by 2032. TEP also has an ownership interest (20 percent) in the San Juan generating plant located between Farmington and Shiprock, New Mexico. Units 2 and 3 were retired in 2017. Unit 1 was retired in 2022. Unit 4 is still operating but may be retiring soon. It is served by the San Juan Mine located near Waterflow, New Mexico. Finally, TEP has a seven percent interest in the remaining units at the FCPP.

TEP's long-term energy plan calls for closing its remaining coal plants by 2032.

D. Salt River Project

SRP, while not regulated by the Commission, also participated in the coal impacted communities' workshops and Task Force meetings. SRP wholly owns and operates the Coronado Generating Station located near St. Johns, Arizona. It is served by two mines operated by the Navajo Transitional Energy Company and a mine owned by Arch Coal. Both Units are scheduled for early retirement in 2032. Both units are running at reduced capacity. SRP also has an ownership interest in the Springerville Generating Station (Unit 4) and the FCPP (10 percent).

E. Commission Decisions

Arizona Public Service Company

In approving APS's 2020 Demand-Side Management ("DSM") Plan (Decision No. 77763; October 2, 2020), the Commission ordered APS to develop and file for Commission review and approval, a Tribal Energy Efficiency Program proposal and budget to implement energy efficiency projects with the Navajo and Hopi tribal communities impacted by the closure of coal-fired power plants that APS owns or operates, including NGS, FCPP, and Cholla Power Plant. Decision No. 78052 (June 24, 2021) approved the program.

APS's most recent rate case decision (Decision No. 78317) ordered APS to make payments to the Navajo Nation, the Hopi Tribe, and the Navajo County communities. There were also requirements for job redeployment offers, modifications to the line extension policy, and home and business electrification projects.

Decision No. 78317 also required Staff to make the Generic Docket a high priority, requiring the Staff to hold both procedural and substantive workshops. It ordered that if the Generic Docket identifies additional transition assistance that should be provided to the Navajo Nation or the Tribe, and APS desires authorization to recover from its customers the costs of this transition assistance, APS shall file an application, requesting such recovery. The Commission held the rate case docket open for a period of 12 months after the effective date of the Decision for APS to file such a request. If no such request is filed within that time, APS may raise the issue in its next rate case.

Tucson Electric Power Company

TEP's most recent rate case Decision (Decision No. 77856, December 31, 2020) ordered Staff to open a generic docket no later than January 17, 2021, to address the impact of the closures of fossil-based generation plant on impacted communities. That generic docket is Docket No. E-00000A-21-0010.

Decision No. 77856 also held open the TEP rate case docket for a Phase Two proceeding for receipt of additional evidence and testimony regarding the findings, conclusions, and recommendations in the Generic Docket.

IV. ACTIVITIES PURSUANT TO DECISION NO. 78498

A. Policy Task Force

Pursuant to Decision No. 78498, Staff began organizing a Policy Task Force for the Generic Docket in March of 2022, with three subgroups: Subgroup 1 (Funding), Subgroup 2 (Repurposing of Facilities), and Subgroup 3 (Ratepayer Impacts).

On March 2 and 3, 2022, Staff emailed invitations to participate in the Policy Task Force to representatives of affected communities and various organizations set out in the table in Finding of Fact No. 25 of Decision No. 78498.¹⁴ Staff compiled all responses to these invitations in addition to those who independently expressed interest in participating in the Policy Task Force into a contact list of members of the Policy Task Force ("Members"). Staff has continually added to the contact list as additional individuals expressed interest in participating.

On March 17, 2022, Staff held an initial meeting of Subgroup 1. On March 23, 2022, Staff held initial meetings of Subgroup 2 and Subgroup 3. Staff summarized the discussions at the meetings and emailed its summary to all Members on April 5, 2022. The summary was also docketed on April 14, 2022.¹⁵ Members were invited to provide comments or corrections to the summaries. No comments or corrections were received.

On April 21 and 22, 2022, Staff held a second set of meetings of each subgroup of the Policy Task Force. Staff again produced summaries of the meetings that were emailed to all Members on May 12, 2022, and docketed on June 17, 2022.¹⁶ Members were invited to provide comments or corrections to the summaries. No comments or corrections.

All content from each of the Policy Task Force meetings was considered in the development of Staff's recommendations in this Staff Report.

The following questions were raised and addressed through the Policy Task Force Subgroups:

Sub-Group 1 -Funding Discussion and Recommendations

Sub-Group 1 discussed funding that is available at both the federal and state levels that could assist the tribal entities as they transition away from coal as a primary underpinning of their economy. The following federal laws and working groups were discussed.

- The Federal Interagency Working Group ("IWG") on coal community transition issues has developed a database of federal funding opportunities across the entire federal government for which transitioning communities could be eligible. The IWG has also created a concierge service to help energy communities identify appropriate funding opportunities for their needs and to provide technical assistance in submitting applications. The Biden Administration has made federal support for energy communities a priority and developed the IWG to coordinate support across all federal agencies.

¹⁴ Decision No. 78498, 7-8, March 2, 2022, <https://docket.images.azcc.gov/0000206080.pdf>.

¹⁵ Memorandum: Policy Task Force First Meeting Summaries, April 14, 2022, <https://docket.images.azcc.gov/E000018831.pdf>.

¹⁶ Memorandum: Policy Task Force Second Meeting Summaries, June 17, 2022, <https://docket.images.azcc.gov/E000019725.pdf>.

- The Bipartisan Infrastructure Law that was passed by Congress in fall of 2021 has created new funding opportunities that are being cataloged in the IWG database above.

The following impediments in obtaining these funds and/or shortcomings of this assistance were identified.

- Federal funding tends not to support general fund needs of local governments but is often more oriented toward one-time investments in infrastructure or programs.
- Federal funding often requires matching funds, but the federal government has waived matching fund requirements for indigenous communities in many cases.
- Identifying appropriate funding opportunities, coordinating development of proposals, and writing and submitting proposals can be time consuming and labor intensive, especially for rural communities without dedicated staff to do so.
- Funding opportunities are usually competitive, and there is no guarantee that time and money spent to develop grant applications will yield new resources.

Assistance available at the state level was also discussed.

- The Arizona Commerce Authority works with communities assist with attracting new employers, but it is difficult for locationally disadvantaged rural communities without extensive infrastructure to attract major new employers. Housing shortages; lack of transportation, water, and electricity infrastructure; broadband access, and other issues are common.
- The Arizona Department of Economic Security provides workforce development and training and ancillary family support services throughout the state but is often reactive to emerging needs rather than proactive in working with communities in advance of an economic shock.
- The Arizona legislature has not at this time set aside funding opportunities through the state budget.

It is unknown or unclear what funds the Navajo Nation or Hopi Tribe or any impacted communities have received from other sources.

Subgroup 1 also discussed whether the Commission's decisions regarding ratepayer funding should depend on the extent of funding from other sources?

The responses were mixed in this regard. Some participants believe that other funding sources should be taken into account. Others believe they should not be taken into account. For

instance, both APS and the Navajo Nation believe that the funding provided by APS is APS's contribution and should be independent of any other funds that are ultimately available to the Navajo Nation.

Other issues discussed by Subgroup 1 included what should be required of ratepayers. Should ratepayers contribute to funding at all and to what extent and when should ratepayer funding begin.

RUCO noted that ratepayers should not be held responsible for coal impacted communities funding since these expenses according to RUCO are "not a cost of service." APS and other utilities believe that these costs are part of "cost of service" and that both ratepayers and shareholders (to some extent) should share in the costs.

The Navajo Nation would limit the costs borne by ratepayers to those costs that but for the early closure of the plant would not have been incurred. Broader forms of relief that fall outside this "but for" direct nexus to plant closure should be looked at but provided by other entities that provide these broader forms of relief.

The APS rate case order, Decision No. 78317 also included other in kind non-monetary forms of relief directly targeting the lack of basic utility infrastructure to provide running water and electricity on tribal lands.

Some of the specific responses follow:

- The Navajo agreement with APS for funding is to provide direct funding to the Navajo Nation for "but for" costs associated with the plant closures and new economic development.
- The Hopi Tribe advocates for direct funding by utilities to the Hopi Tribe to support the Tribe's general budget.
- Funding should go to provide basic infrastructure to improve the quality of life of residents, especially those lacking basic infrastructure such as running water and electricity, especially on tribal reservations. Recruiting yet another extractive industry could lead to the same problems down the road without addressing these basic community needs.
- There needs to be fundamental infrastructure in place to create new economic opportunities to stabilize the economies of the communities and local governments.
- Economic development goals for communities will need to look beyond renewable energy developments, since renewable energy infrastructure does not support anywhere near the same number or quality of jobs.

- Economic development and job training programs are ideally undertaken in a proactive rather than reactive manner, and years in advance of any closures and impacts. And there is a need to train for jobs and industries that do not yet exist. Funding for training should go to local educational institutions with strong local connections.
- There needs to be regional planning for economic development, not just individualized planning for individual communities, in order to shift the overall economies of the region. This will require collaborative conversations between impacted communities.
- There needs to be economic diversification into a variety of new industries, not just finding a new “singularity” industry as has existed historically.

The question was asked of the Navajo Nation what it would be doing with the money it received in support from the Commission and whether it would be willing to account for the uses to which it was put.

The funding is being spent on costs and expenses directly related to the plant closure, with a “but for” relationship in that but for the closure of the plant, the Nation would not have incurred costs to invest in the site and land transition. The Nation would maintain its commitment to invest in costs with a “but for” relationship to plant closures, rather than broader social services or community development programs for the Nation.

The Subgroup participants also considered whether and to what extent any Arizona impacted communities ever received transition funding from prior plant closures.

Plants closed early should be distinguished from plants that were closed on schedule with their normal operating lifetime. coal impacted communities’ relief was provided to the Navajo Nation when the NGS shut down in 2019. That relief was in various forms. One form of relief offered was job redeployment and training.

Subgroup 1 also discussed the importance of the revenues contributed by the plant to the Navajo economy.

The tribal communities relied upon the coal plants and the mines that supported them for a significant source of their revenue. The plants were a source of employment for many tribal citizens. The plants provided taxes for the local communities. Lease payments made to the Navajo Nation and Hopi Tribe also provided a significant source of revenue. These sources of revenue will no longer be available for the tribal entities and communities to rely upon.

The tribal entities all stressed that early notice of closure is important for the tribal entities to plan and prepare for this loss of revenues and overall adverse impact of closure on their communities. The issue of early notice was addressed in Decision No. 78317.

Sub-group 2 Repurposing of Facilities – Discussion and Recommendations

Subgroup 2 discussed a variety of issues including the utilities' plans for replacement power when the power plants shut down.

The utilities provide useful information in their Integrated Resource Plans ("IRPs") filed with the Commission. For instance, the APS IRP includes around 800 Megawatts ("MW") of new generation resources planned before 2024 to prepare for the Cholla plant closure, mostly solar and wind energy. The IRP also estimates investment in another three Gigawatts ("GW") of renewables over the next decade along with appropriate amounts of storage to support them, with 65 percent clean energy supply overall for APS by 2030.

1. Subgroup 2 also discussed the efforts impacted communities and others such as Arizona State University ("ASU") have made to investigate repurposing of the plants? Many of these efforts are discussed below.
 - St. Johns has been working with a coalition of ASU, SRP, and Department of Energy representatives to explore opportunities including "green" options, conversion to a gas plant, hydrogen opportunities, use of transmission lines and water resources, and potential development of a light industrial park.
 - The Navajo and Apache Counties conducted a 2018 regional economic assessment and strategy for coal plant closures.
 - The Navajo Nation developed a coal impacted communities plan along with APS, which is the basis of the APS CCT funding proposal in its rate case.
 - ASU is supporting conversations in Joseph City about possible reuses of Cholla, such as office space, recreation and tourism, lake use, metal and battery recycling, manufacturing and assembly, hydrogen production for long-haul trucking, intermodal rail-to-truck facilities, locomotive and railcar repair facilities, automotive salvage, renewable energy, and production sites.
 - TEP is engaged in several studies to support economic development in communities near the Springerville Generating Station, including St Johns, Springerville, and Eagar.
 - Advanced Energy Economy is willing to facilitate community conversations with advanced energy companies to explore the potential for new investments, and they held a meeting with the Arizona Commerce Authority and the ASU Just Energy Transition Center regarding working together in recruiting new energy businesses to Arizona.

A question was posed as to what affected communities would need to do better planning for repurposing opportunities?

The following were identified as important to allow for early planning for purposes of repurposing what is there.

- Giving communities access to utility inventories or assessments of the assets at each of the plants would be very helpful.
- But it takes time to develop assessments and studies, and there are tradeoffs in terms of delaying decision-making while waiting for a study to be completed.

As far as what kinds of uses would provide similar kinds and quality of jobs for unionized contractors who maintain the coal plants, Subgroup 2 participants identified the following:

- Carbon capture and storage, nuclear, biomass, and hydrogen plants;
- Hydrogen production facilities;
- Chemical plants and refineries;
- Some parts of semiconductor manufacturing facilities, i.e., storage tanks;
- Water treatment plants and biodigesters generally; and
- Pumped hydro storage projects.

It is also important to identify who owns the land and the facilities in each case to determine what repurposing may be acceptable.

Subgroup 3 Ratepayer Impacts – Task Force Discussion and Recommendations

Subgroup 3 discussed various reasons for holding ratepayers responsible in part for transition costs. Several of these theories included:

- There was a de facto regulatory compact with the impacted communities to operate the plants, and disallowing community transition funding would apply a double standard, allowing regulatory accounting for stranded assets to utilities, but not accounting for expected revenues to communities.
- Repurposing of land and facilities requires remediation costs above and beyond the minimum requirements to comply with federal environmental laws.

It was also discussed that if the management of utilities have made the decision to close early, then why should the shareholders not be responsible for these costs rather than ratepayers? In the last APS rate case, the Commission split the cost of home and business electrification projects for the Navajo Nation.

In addition, there was discussion as to why the ratepayers of one utility (non-managing part-owner) should be responsible for the decision by another utility's (managing owner) management to close a plant early?

APS's portion of ownership of the NGS, so is not a cross-subsidization to SRP ratepayers.

The Commission's jurisdiction to include some funding in customer rates was also discussed.

The underpinnings of the Commission's jurisdiction can be found in art. XV, §3 of the Arizona Constitution. That clause gives the Commission both exclusive and plenary ratemaking authority. The permissive clause gives the Commission authority over the health and safety and comfort and convenience of the general public in the provision of utility service. The issues of CCT funding likely implicates both clauses of art. XV, §3 of the Arizona Constitution.

From a ratemaking perspective, funding for some community transition costs could likely be considered a cost of service. For instance, some argue that the costs can be likened to decommissioning and dismantlement costs that utilities typically pass on to ratepayers. Others attempt to quantify the benefits received by ratepayers over the years. Still other theories rely upon compensation for the lost revenues of the tribes brought about by early closure of the plant. Revenues that the tribal members had counted upon and now are now there because of the utility's decision to close the plant early.

Funding for decommissioning is a good analogy, where there are prospective investments with utility cost recovery over the operating lifetime of a plant in anticipation of eventual closure. There are always risks of too little or too much being set aside, but that doesn't stop the prospective funding.

Using ratepayer funds for to cover some costs of decommissioning demolition, and repurposing of plant infrastructure is likely legally justifiable than using funds to support general community economic development.

Navajo's view of costs appropriate for ratepayer funds would limit the amount to those costs with a direct causal connection to the early closure. In other words, but for the early closure of the plant, the costs would not be incurred.

In the last APS rate case, the Commission also included in-kind or nonmonetary CCT obligations directly related to the provision of safe and adequate service to tribal members. These forms of relief may be authorized under the permissive clause of art. XV, § 3.

Broader forms of relief to promote economic development may be better left to other agencies specifically in these types of relief efforts at the state and federal level.

Subgroup 3 of the Task Force also discussed how ratepayer contributions should be calculated? And how should ratepayer and shareholder contributions be apportioned?

The following are some of the responses to this question:

- Repurposing of land and facilities requires remediation costs above and beyond the minimum requirements to comply with federal environmental laws.
- The APS CCT agreement with the Navajo Nation is a complete negotiated plan to resolve the issues between APS and the Nation regarding early closure of coal plants, not just NGS, but also FCPP.
- The APS CCT agreement is based on a “zone of possibility” drawn from other decisions around the country and found a number within that band (See Barbara Lockwood testimony in APS rate case for details).
- A TEP amount could be pro-rated relative to the APS CCT plan, based on the relative amount of TEP’s participation in plants impacting the Navajo Nation.

There are wide variations in plant assets among the different plants in Arizona, so conversations about investing in future uses of plant assets and land should be determined on a case-by-case basis. The task force should not just provide a single blueprint for monetary compensation or other support based on generation capacity, past revenues, employment and wages, and the like.

Subgroup 3 also discussed some of the cost impacts to ratepayers for community transition funding.

- Ratepayers will benefit from the lower costs of service for new renewable energy compared with higher costs of service for coal plants.
- The incremental cost to individual ratepayers of a \$10 million per year APS fund would be miniscule – a “back of the envelope” calculation estimated 0.3 percent increase to the overall APS revenue requirement.

Subgroup 3 looked at who has benefited more over time from the coal plants, ratepayers, shareholders, or communities? And how much have ratepayers benefited historically from the plants over their operating lifetimes?

The Peabody Coal Controversy was brought up as an example of ratepayers potentially benefitting at the expense of tribes, due to underpayment of coal royalties to the tribes and potentially cheaper costs of coal to the coal plants.

Finally, Subgroup 3 considered the situation where the plants do not end up shutting down early, or as projected, given that the San Juan Generating Station in New Mexico has had its closure delayed due to failure to obtain authorization from the New Mexico PSC? Growing reliability concerns in the western grid could lead to rethinking of closure plans by utilities or commissions.

Participants offered the following responses:

- Utility commitments to close Arizona coal plants are very strong, either required by law or with strong economic and environmental drivers in favor of early closure.
- If utilities changed course, they could have strong headwinds from investors and potential United States Securities and Exchange Commission (“SEC”) issues.
- There is a lot of forewarning with the Four Corners closure, and it is possible to design a system that reliably integrates large portions of renewables even if renewables have lower capacity factors than coal plants.
- The resource planning departments of the utilities are well-aware of these reliability concerns and have studied them, and still put forward the closure plans in their most recent IRPs with that knowledge.
- Utility IRPs are planning documents but are adapted and revised in each new planning period based on new market information.
- Funding for decommissioning is a good analogy, where there are prospective investments with utility cost recovery over the operating lifetime of a plant in anticipation of eventual closure. There are always risks of too little or too much being set aside, but that does not stop the prospective funding.

B. Town Hall Meetings

Pursuant to the list of town hall meeting locations adopted in Finding of Fact No. 28 in Decision No. 78498, Staff worked with the Commissioner’s offices to organize the following in-person town hall meetings:¹⁷

Location:	Time/Date:	Hosted By:
Joseph City, AZ	6:00 p.m., April 27, 2022	Commissioner Tovar
St. Johns, AZ	6:00 p.m., April 28, 2022	Commissioner Tovar

¹⁷ Decision No. 78498, 10, <https://docket.images.azcc.gov/0000206080.pdf>.

Page, AZ	5:00 p.m., May 24, 2022	Chairwoman Márquez Peterson
Holbrook, AZ	5:00 p.m., May 25, 2022	Chairwoman Márquez Peterson
Eagar, AZ	5:00 p.m., May 26, 2022	Chairwoman Márquez Peterson
Shiprock, NM	6:00 p.m., June 16, 2022	Commissioner Tovar
Farmington, NM	9:00 a.m., June 17, 2022	Commissioner Tovar
Kayenta, AZ	6:00 p.m., June 21, 2022	Commissioner Kennedy
Hard Rock, AZ	1:00 p.m., June 22, 2022	Commissioner Kennedy
Keams Canyon, AZ	6:00 p.m., June 22, 2022	Commissioner Kennedy
Tuba City, AZ	6:00 p.m., June 23, 2022	Commissioner Tovar

Where possible, each town hall meeting was recorded and placed for viewing on the Commission's website.¹⁸ Staff attended each of the town hall meetings, recorded attendance and speakers, and took notes regarding the substantive content discussed.

The Commission also held five virtual town hall meetings from August 8, 2022, through August 11, 2022, detailed in the following table:

Time/Date:	Hosted By:
6:00 p.m., August 8, 2022	Commissioner Tovar
1:00 p.m., August 9, 2022	Commissioner Tovar
9:00 a.m. and 6:00 p.m., August 10, 2022	Commissioner Tovar
3:00 p.m., August 11, 2022	Commissioner Tovar

In attendance were the ACC Commissioners, Staff, regulated and non-regulated utilities, stakeholders, and members of the public. All recordings from the townhall meetings can be found in the archive on the Commission website, click on the "Other Meetings" tab here: <http://www.azcc.gov/live>

All content from each of the town hall meetings was considered in the development of Staff's recommendations in this Staff Report.

Staff identified the following key themes from the public comments made throughout the town hall meetings:

1. Commenters were nearly unanimous in opposition to the closure of coal plants.
2. Commenters frequently stated the following reasons for opposition to the closures:
 - a. Loss of tax revenue for local public services;
 - b. Loss of employment for local community members;

¹⁸ For the recordings, click on the "Other Meetings" tab here: <http://www.azcc.gov/live>.

- c. Any new economic development will not provide anywhere near the same number of jobs or same level of wages to replace what is lost;
 - d. Turning to tourism for economic development will dramatically alter the community character;
 - e. Loss of donations and other support by utility companies to local community events and fundraising drives;
 - f. Loss of local community due to migration of community members seeking employment elsewhere;
 - g. Loss of other local businesses due to secondary economic impacts of employment losses and community migration;
 - h. Loss of community volunteerism (coaching youth sports, local board participation, etc.) due to breadwinners working elsewhere and only returning on weekends or occasionally for quality time with family;
 - i. Loss of grid reliability due to inability of renewable energy and battery storage to replace the benefits of coal plants;
 - j. Loss of low-cost electricity for the grid;
 - k. Renewable energy is subsidized and not competing on an even economic playing field with coal plants;
 - l. Loss of value of using America's natural resources domestically, as coal will be exported to other countries for use;
 - m. Concerns about increased global pollution due to lack of emissions controls in countries importing American coal; and
 - n. Concerns about prioritizing environmentalism over the human costs to communities of shutting down their vital industries.
3. Commenters frequently recommended that if the coal plants must be closed, options for economic development and addressing the above losses should be investigated through:
- a. Cancelling plans to prematurely close the coal plants, and instead reinvesting in plant maintenance and capital investments;

- b. Converting the plants to utilize Carbon Capture and Storage (“CCS”) technology to continue operating the coal plants beyond their scheduled closure dates;
 - c. Repurposing the plants to use other fuel sources such as biomass or hydrogen;
 - d. Repurposing the plants for new energy sector uses such as hydrogen production facilities and renewable energy facilities leveraging the existing transmission lines;
 - e. Repurposing the plants for other industrial uses such as new manufacturing facilities or intermodal logistics hubs that leverage the proximity of plant rail lines and local highway corridors; and
 - f. Preserving key plant infrastructure for new purposes, such as rail lines, water wells and ponds, and transmission lines and substations.
4. Lessons can be learned from communities that have already felt the impacts of the loss of Navajo Generating Station:
- a. Several commenters at the Page town hall held up Zenni Homes as an example of the kind of new businesses that impacted communities should aim to recruit – smaller, but more realistic in size and scope than trying to directly replace the power plants with another single industry or plant in number and quality of jobs. And a diversity of such businesses could help stabilize local economies.
 - b. The City Manager noted retraining programs offered to plant workers were not very effective because they tended to emphasize training for Information Technology (“IT”) jobs that were unrealistic for coal plant operators with decades of experience in vastly different skillsets.
 - c. Most new jobs in Page have been in the tourist industry, which tend to be low-paying service sector jobs, rather than the quality high paying jobs the plant provided.
 - d. Road quality between Page and Flagstaff hampers development of manufacturing businesses due to potential shipping damage and timeliness of shipments, so it is important to invest in infrastructure to enable new business development.
 - e. Many workers took job offers in the Phoenix area and left family in Page or nearby Navajo communities. These workers face double the housing costs,

plus large transportation costs from visits back and forth regularly. Families are also fractured, with breadwinners who are not present most of the time, and placing social burdens on spouses, grandparents, and friends to raise children while they are away.

C. *Docketed Materials*

Commissioner Letters and Responses

Chairwoman Márquez Peterson

On February 25, 2022, Chairwoman Márquez Peterson filed a letter in the docket detailing her concerns and expectations regarding the utilities' intent to close fossil-based generation facilities on impacted communities. In addition, the Chairwoman's letter included questions for coal-impacted communities. Below is a link to the Chairwoman's letter. <https://docket.images.azcc.gov/E000018027.pdf?i=1661459464166>

On March 3, 2022, RUCO filed a response to the Chairwoman's February 25, 2022, letter. Below is a link to RUCO's response. <https://docket.images.azcc.gov/E000018135.pdf?i=1662578316019>

On April 7, 2022, APS filed a response to the Chairwoman's February 25, 2022, letter. Below is a link to APS's response. <https://docket.images.azcc.gov/E000018688.pdf?i=1662578316019>

On April 20, 2022, the Navajo Nation filed comments in response to the Chairwoman's February 25, 2022, letter. Below is a link to the Navajo Nation's response. <https://docket.images.azcc.gov/E000018907.pdf?i=1662578316019>

On May 31, 2022, Chairwoman Márquez Peterson filed a letter in the docket listing her "notes on the recommendations of the community" during the town halls held by the Commission on May 24, 25, and 26, 2022. Below is a link to the Chairwoman's letter. <https://docket.images.azcc.gov/E000019464.pdf?i=1661459464166>

On July 29, 2022, Chairwoman Márquez Peterson filed a letter in the docket requesting that Freeport-McMoRan participate in the Substantive Workshop held on August 1, 2022, or share its experience in "transition and revitalizing Arizona's communities." Below is a link to the Chairwoman's letter to Freeport-McMoRan. <https://docket.images.azcc.gov/E000020399.pdf?i=1662593671747>

On August 11, 2022, Freeport-McMoRan filed a response to the Chairwoman's July 29, 2022, letter providing information about Freeport-McMoRan's "approach and practices related to preparing communities for transition to a post-production scenario."

Below is a link to Freeport-McMoRan's response. <https://docket.images.azcc.gov/E000020586.pdf?i=1662765717065>

Commissioner Kennedy

On May 27, 2022, Commissioner Kennedy filed a letter in the docket requesting the Chief Executive Officers of APS, TEP, and UNS Electric, respond to specific questions that were included in her letter. Commissioner Kennedy also requested SRP respond with relevant information. Below is a link to Commissioner Kennedy's letter. <https://docket.images.azcc.gov/E000019453.pdf?i=1661459464166>

On June 10, 2022, Sierra Club filed comments to Commissioner Kennedy's letter. Below is a link to Sierra Club's response. <https://docket.images.azcc.gov/E000019652.pdf?i=1662593671747>

On July 15, 2022, APS filed its response to Commissioner Kennedy's letter. Below is a link to APS's response. <https://docket.images.azcc.gov/E000020186.pdf?i=1662593671747>

On July 15, 2022, TEP filed its response to Commissioner Kennedy's letter. Below is a link to TEP's response. <https://docket.images.azcc.gov/E000020168.pdf?i=1662765717065>

Stakeholder Comments

Various Stakeholders provided comments in the Docket for Commission consideration. The comments submitted covered topics such as follows:

- Recommended locations for Commission town halls,
- Repurposing of Plants and Facilities,
- Benefits and Impacts to Ratepayers,
- Legal authority of the Commission to compensate coal impacted communities,
- Regional Economic Assessment and Strategy for Navajo and Apache Counties,
- Legal obligation of Arizona electric utilities and their customers to fund coal impacted communities support,
- Work plan to conduct an electrification census on the Navajo Nation and Hopi Reservation,

- Role of carbon capture and storage in a Net-Zero California,
- Accelerating an Equitable Clean Energy Transition in New Mexico,
- Impact of plant closure to Joseph City Schools, plant repurposing, and recommendations to the Commission,
- Recommendations for Commission action and future steps related to coal impacted communities,
- Policy recommendations and impact of closures of fossil-based generation plants on surrounding communities,
- Just and equitable transition support,
- Ratepayer vs. Shareholder responsibility,
- Utilities grant application process and funding assistance,
- Coal Community Transition planning efforts,
- Clean-energy conversion scenarios,
- Estimating the Impacts of Reduced Operations at, and the Closures of, Springerville and Coronado Generating Stations, and
- Economic Impacts on the Hopi Tribe and Navajo Nation.

Below are the links to the various Stakeholder comments:

January 5, 2022

- Sheryl Hamlin
<https://docket.images.azcc.gov/E000017241.pdf?i=1662579219697>

January 20, 2022

- Todd F. Kimbrough – Navajo Nation
<https://docket.images.azcc.gov/E000017470.pdf?i=1662579219697>

January 21, 2022

- Ellen Zuckerman and Caryn Potter – Southwest Energy Efficiency Project (SWEEP) <https://docket.images.azcc.gov/E000017480.pdf?i=1662579219697>
- Todd Komaromy – Arizona Public Service Company
<https://docket.images.azcc.gov/E000017484.pdf?i=1662579219697>
- Andrea Jacobo – Tucson Electric Power Company
<https://docket.images.azcc.gov/E000017490.pdf?i=1662579219697>
- Jennifer B. Anderson, Atty – Tó Nizhóni Ání, Dine' C.A.R.E., Black Mesa Trust, and San Juan Citizens Alliance
<https://docket.images.azcc.gov/E000017493.pdf?i=1662579219697>

February 16, 2022

- Terry Finefrock
<https://docket.images.azcc.gov/E000017930.pdf?i=1662579219697>

February 24, 2022

- Todd F. Kimbrough – Navajo Nation
<https://docket.images.azcc.gov/E000018015.pdf?i=1662579219697>

March 31, 2022

- Keith Johnson – Navajo and Apache Counties
<https://docket.images.azcc.gov/E000018550.pdf?i=1662579219697>

April 22, 2022

- Todd Komaromy – Arizona Public Service Company
<https://docket.images.azcc.gov/E000018938.pdf?i=1662579219697>

May 2, 2022

- Elizabeth Lawrence – Arizona Public Service Company
<https://docket.images.azcc.gov/E000019092.pdf?i=1662579219697>

May 9, 2022

- Daniel R. Muth PLS CFedS GISP
<https://docket.images.azcc.gov/E000019157.pdf?i=1662579219697>

May 10, 2022

- Jacob Evenson – Boilermakers Local 627
<https://docket.images.azcc.gov/E000019192.pdf?i=1662579219697>

May 18, 2022

- Eric Frankowski – Western Clean Energy Campaign
<https://docket.images.azcc.gov/E000019308.pdf?i=1662579219697>

May 31, 2022

- Jacob Evenson – Boilermakers Local 627
<https://docket.images.azcc.gov/E000019461.pdf?i=1662579219697>
- Bryan Fields <https://docket.images.azcc.gov/E000019466.pdf?i=1662579219697>
- Todd Kimbrough, Atty., et. al. – Navajo Nation, et. al.
<https://docket.images.azcc.gov/E000019466.pdf?i=1662579219697>
- Caryn Potter, Sandy Bahr, Adam Stafford, Nicole Horseherder, Mike Eisenfeld, Ben Nuvamsa – Southwest Energy Efficiency Project, Western Resource Advocates, Sierra Club, Tó Nizhóni Ání, San Juan Citizens Alliance, and Black Mesa Trust <https://docket.images.azcc.gov/E000019480.pdf?i=1662579219697>

June 28, 2022

- Dr. Laura M. Mike – Navajo United Way, Inc.
<https://docket.images.azcc.gov/E000019896.pdf?i=1662579219697>

July 7, 2022

- Mable Franklin
<https://docket.images.azcc.gov/E000020026.pdf?i=1662579219697>

July 15, 2022

- Daniel W. Pozefsky, Chief Counsel – Residential Utility Consumer Office
<https://docket.images.azcc.gov/E000020161.pdf?i=1663633415666>
- Andrea Jacobo – Tucson Electric Power Company, et al.
<https://docket.images.azcc.gov/E000020166.pdf?i=1662579219697>
- Andrea Jacobo – Tucson Electric Power Company
<https://docket.images.azcc.gov/E000020167.pdf?i=1662579219697>
- Elizabeth Lawrence – Arizona Public Service Company
<https://docket.images.azcc.gov/E000020183.pdf?i=1662579219697>
- Nicole Horseherder, Caryn Potter, Sandy Bahr, Alex Routhier, Ben Nuvamsa, Mike Eisenfeld - Tó Nizhóni Aní, Southwest Energy Efficiency Project (SWEET), Sierra Club, Western Resource Advocates, Black Mesa Trust, San Juan Citizens Alliance
<https://docket.images.azcc.gov/E000020187.pdf?i=1662579219697>

July 20, 2022

- Patricia Blair <https://docket.images.azcc.gov/E000020226.pdf?i=1662579219697>

July 21, 2022

- Paul Ramsey, City Manager - City of St. Johns
<https://docket.images.azcc.gov/E000020241.pdf?i=1662579219697>

July 22, 2022

- David Felix – Salt River Project Agricultural Improvement & Power District and Tucson Electric Power
<https://docket.images.azcc.gov/E000020266.pdf?i=1662579219697>

July 29, 2022

- Todd F. Kimbrough, Atty. – Navajo Nation
<https://docket.images.azcc.gov/E000020392.pdf?i=1662579219697>

August 1, 2022

- Shelby Stults – Advanced Energy Economy
<https://docket.images.azcc.gov/E000020416.pdf?i=1662579219697>

August 15, 2022

- Horseherder, Vernon Masayesva, Sandy Bahr, Mike Eisenfeld, and Caryn Potter - Tó Nizhóní Ání, Black Mesa Trust, Sierra Club, San Juan Citizens Alliance and Southwest Energy Efficiency Project
<https://docket.images.azcc.gov/E000020634.pdf?i=1662579219697>

August 23, 2022

- Amy Mignella, Atty. – Hopi Tribe
<https://docket.images.azcc.gov/E000020739.pdf?i=1662579219697>

August 30, 2022

- Nicole Horseherder, et. al. - Tó Nizhóní Ání et al.
<https://docket.images.azcc.gov/E000020852.pdf?i=1662579219697>

September 1, 2022

- Nicole Horseherder, et. al. - Tó Nizhóní Ání et al.
<https://docket.images.azcc.gov/E000020915.pdf?i=1662579219697>

D. Second Substantive Workshop – August 1, 2022

On August 1, 2022, pursuant also to Decision No. 78317, Staff hosted a second substantive workshop. The second substantive workshop served as a final opportunity, before the docketing of the final Staff report, for stakeholders to provide updates, recommendations, and outstanding questions related to the docket's substantive and procedural directives. Verbal updates were provided by utilities including APS, TEP, and SRP; as well as Arizona state governmental entities, including RUCO. Individuals from impacted communities (including the Navajo Nation, Hopi Tribe, and City of Farmington) provided updates, recommendations, and general conclusive remarks. Additional updates, recommendations, and general comments presented by stakeholders can be viewed through the recording of the workshop, which is accessible through the Commission's live recordings archive under "Workshops".¹⁹

V. TAXES, FEES, ROYALTIES, AND DECOMMISSIONING FUND

Based upon the data responses attached as Exhibit 1 and Exhibit 2, the ratepayers for APS, TEP, SRP, and UNS Electric, Inc., have paid to date in aggregate billions of dollars for Taxes & Fees, Royalties, and Decommissioning.

¹⁹ For the recordings, click on the "Workshops" tab here: <http://www.azcc.gov/live>

VI. RELIABILITY AND RESOURCE ADEQUACY

Based on the information provided by the regulated entities, the industry, and other associations, resource adequacy going forward is a concern for all regulated entities and regulators. Early closure of fossil-fueled generating plants may jeopardize reliability and resource adequacy. If this is the case, APS may need to reconsider the early closure of FCPP.

VII. STAFF CONCLUSIONS AND RECOMMENDATIONS

In January of 2020, APS announced the early closure of the FCPP (in 2031 rather than 2038). The life of the plant was determined to be 2038 at the time the decision was made to implement the SCR upgrades to maintain compliance with Environment Protection Agency requirements. This early closure announcement came at the discretion of APS management and after the 2019 APS Rate Case was filed in October of 2019. The early closure of the plant has led to discussions of the next steps regarding: (1) a need for ratepayers to fund the Memorandum of Understanding ("MOU") that APS has executed with the Navajo Nation, (2) a need for an established process on handling the stranded investment costs in the future, (3) a need to address the loss of jobs not only for those employed at the plant but also those union construction workers employed by the plant, and (4) a need to address the impact on the community. Absent the announcement of early closures of the existing coal plants, this concern with the next steps would not exist.

In addition, APS is suggesting the use of a regulatory asset to account for the early closure of FCPP. Staff has concerns with establishing a regulatory asset on plant that is used and useful just because the plant may be closing earlier than the useful life of the plant.

Given all of the available information, Staff makes the following conclusions:

Conclusions

1. In January 2020, Arizona Public Service Company ("APS"), based on management discretion, announced the early closure of the Four Corners Power Plant ("FCPP"). Prior to the announcement, FCPP had a retirement date of 2038. APS is now proposing to close the plant in 2031. Seven years sooner than earlier projections.
2. The FCPP, from a regulatory accounting perspective, is used and useful until 2038 based on the improvements made to the FCPP following the agreement with the Environmental Protection Agency ("EPA").
3. Through existing accounting treatment, such as depreciation and remediation funding, the APS ratepayers have already paid a portion of the cost of the FCPP.

4. Early retirement of FCPP may lead to stranded investment costs that APS ratepayers will be asked to pay for in addition to the cost of the replacement power. APS customers may be asked to pay for the same power two times.
5. Ratepayers have already contributed billions of dollars toward the decommissioning fund, taxes, and royalties for FCPP and Navajo Generating Station ("NGS") (See Exhibits 1 and 2).
6. Since FCPP is physically located in New Mexico, Staff believes this is a multi-state issue and APS ratepayers should not be the only contributors toward compensation for the possible early closure.
7. FCPP is jointly owned by APS, Tucson Electric Power Company ("TEP"), Salt River Project Agricultural Improvement and Power District ("SRP"), and Public Service Company of New Mexico ("PNM"). Staff believes this is a multi-jurisdictional issue and APS ratepayers alone should not be held responsible for the possible early closure (PNM is not under ACC jurisdiction).
8. Consistent with Commission direction, APS should first seek other means of funding for the possible early closure of FCPP.
9. When announcing the early closure of FCPP in January of 2020, APS had a pending rate case application. The application was not amended to account for the possible early closure, although APS eventually addressed the issue in its rebuttal testimony. APS did not provide the economic impact on the ratepayer.
10. APS unilaterally signed a Memorandum of Understanding ("MOU") with the Navajo Tribe without consultation with the Commission or the Residential Utility Consumer Office ("RUCO").
11. Absent APS's announcement to shut down FCPP early, there would not be a need to address the impact to communities.
12. If ratepayers are to be assessed a surcharge today, it would be difficult, if not impossible, to recoup the surcharge dollars if APS reverses its decision on the early closure.

Recommendations

In making its recommendations, Staff considered the fact that APS did not provide any information to justify its request for a surcharge nor did APS provide any information or analysis as to the economic impact to ratepayers.

In addition, since the new early closure is not until 2031, Staff believes it is premature to authorize a surcharge at this time. Considering all the resource needs going forward and the

availability of those resources at critical times throughout the day, APS may need to reconsider closing Four Corners. Staff is not in a position to tell APS management what to do or not to do when managing the resources for the Company.

1. Staff believes APS should honor the MOU or any other tribal payment obligations or commitments made. Although Staff recognizes the existing MOU, consistent with Decision No. 78317, specifically on page 172, lines 14 and 15, where the Commission declined to approve the MOU, Staff continues to recommend that the Commission not approve the MOU. As stated, APS unilaterally signed an MOU to commit millions of dollars of ratepayer funds without consulting with regulators and the agency that is responsible for protecting residential ratepayers. Based on all of this, APS should honor the commitment without ratepayer funds.
2. Staff recommends that APS ratepayers not be assessed an added surcharge to reflect the provisions of the MOU or any other items raised in this proceeding.
3. Staff recommends that APS look for grant opportunities that may be available to assist the Navajo Nation and Hopi Tribe with the upgrading of infrastructure and living conditions with the tribal areas. APS should docket its findings within 120 days of a Decision in this case.
4. Since this is a state-wide issue, Staff recommends that APS seek the assistance of the legislature and the governor to secure additional funding to assist the tribal communities.
5. Staff believes that APS and/or TEP should provide all economic impact studies performed, at least two years before APS and/or TEP commences early closure of a fossil-based generation plant to demonstrate the economic impact on the customers.
6. After the completion of the economic impact studies noted in Recommendation 5, APS and/or TEP should docket a proposal for the repurposing of plant facilities/land/services that are within the ownership/control of APS and/or TEP within 90 days.
7. If the determination is made to proceed with closing the FCPP early, APS should, at least four years prior to the closing of the plant, begin offering training and educational opportunities for those affected by the early closure of the plant.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 LEA MÁRQUEZ PETERSON

Chairwoman

3 SANDRA D. KENNEDY

Commissioner

4 JUSTIN OLSON

Commissioner

5 ANNA TOVAR

Commissioner

6 JIM O'CONNOR

Commissioner

7 IN THE MATTER OF IMPACT OF THE
8 CLOSURES OF FOSSIL-BASED
9 GENERATION PLANT ON IMPACTED
COMMUNITIES.

DOCKET NO. E-00000A-21-0010

DECISION NO. _____

ORDER

10
11 Open Meeting
12 November 9 and 10, 2022
Phoenix, Arizona

13 BY THE COMMISSION:

14 FINDINGS OF FACT

15 **I. Introduction**

16 1. On December 31, 2020, the Arizona Corporation Commission ("ACC" or
17 "Commission") issued Decision No. 77856 (Docket No. E-01933A-19-0028) ordering the
18 Commission's Utilities Division Staff ("Staff") to open a generic docket to "address the impact of
19 the closures of fossil-based generation plant on Impacted Communities."¹ On January 12, 2021,
20 Staff requested that this generic docket entitled: "Impact of the Closures of Fossil-Based Generation
21 Plant on Impacted Communities" (Docket No. E-00000A-21-0010) ("Generic Docket") be opened.²
22 This Report is the culmination of the substantial efforts of the three Task Force sub-groups required
23 by the Commission and their participants, and includes analysis of recommendations made by the
24 various participants in those workshops, and consideration of comments at Town Hall meetings held
25 during the summer of 2022.

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27 ¹ Decision No. 77856, 202, Docket No. E-01933A-19-0028, December 31, 2020, <https://docket.images.azcc.gov/0000202798.pdf>.

28 ² Memorandum: Request for a New Docket, January 12, 2021, <https://docket.images.azcc.gov/E000011116.pdf>.

II. Background

2. In Decision No. 78317 (November 9, 2021), the Commission ordered Staff to hold a procedural workshop and an initial substantive workshop within 90 days of the date of the Decision to address engagement of various stakeholders, finding and obtaining opportunities for federal or state funding or other support for impacted communities, assisting efforts to seek funds or other forms of support for impacted communities, establishing a task force for the development of ACC policy on issues concerning Arizona-impacted communities, and holding workshops, town halls, and other activities to seek a reasonable and timely resolution of these items.³ Decision No. 78317 also required Staff to propose a timeline of ACC activities to address the above within 30 days of conducting the procedural workshop.

3. On January 6, 2022, Staff conducted a procedural workshop pursuant to Decision No. 78317.⁴

4. On January 28, 2022, Staff docketed a Memorandum and Proposed Order with a proposed procedural timeline pursuant to Decision No. 78317.⁵

5. On February 2, 2022, Staff conducted an initial substantive workshop pursuant to Decision No. 78317.⁶

6. The matters discussed during the initial substantive workshop centered around finding/seeking available funding as well as other forms of support for impacted communities, the development of a Policy Task Force among governmental entities and local advocates, examining or resolving as well as addressing questions related to the potential provision of financial and other forms of support by regulated utilities, and engaging governmental and other entities on these issues in addition to the ACC. Presentations were provided by various utilities, including Arizona Public Service Company ("APS") and Salt River Project ("SRP"), and stakeholders, including the Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization

³ Decision No. 78317, 431-32, November 9, 2021, <https://docket.images.azcc.gov/0000205236.pdf>.

⁴ Special Open Meeting, Commission, January 6, 2022, <https://azcc.granicus.com/DocumentViewer.php?file=azcc-fe10040e8e4fcf131bb90ed977b1fd86.pdf&view=1>.

⁵ Memorandum: Proposed Procedural Timeline, <https://docket.images.azcc.gov/E000017628.pdf>.

⁶ Special Open Meeting, Commission, February 2, 2022, <https://azcc.granicus.com/DocumentViewer.php?file=azcc-a6fb4a57158257e910a98f40dde559eb.pdf&view=1>.

1 (“IWG”) and A Just and Equitable Transition Policy-Workgroup (“JET”). Additional information
2 and details regarding the initial substantive workshop are accessible through the Commission’s
3 Docket Control as well as archived recordings accessible on the Commission’s website under
4 “Workshops”.^{7,8}

5 7. On March 2, 2022, the Commission issued Decision No. 78498, adopting a timeline
6 of activities in this Generic Docket, specifying the structure and membership of a Policy Task Force
7 and directing Staff to create the Policy Task Force and to organize town halls in specified locations.⁹
8 The timeline of activities adopted by the Commission included Policy Task Force meetings, in-
9 person and virtual community town hall meetings, a second substantive workshop to discuss
10 recommendations of the Policy Task Force, and a Staff Report and Recommended Opinion and
11 Order based on the docketed Policy Task Force recommendations.¹⁰

12 8. On May 18, 2021, the Commission issued Decision No. 78016, modifying Decision
13 No. 77856 to allow Staff an extension of time to file its recommendations on July 28, 2021.

14 9. On May 27, 2022, the Commission issued Decision No. 78582, amending the
15 timeline adopted in Decision No. 78498.¹¹ On June 21, 2022, the Commission issued Decision No.
16 78587, further amending the timeline.¹² On August 22, 2022, the Commission issued Decision No.
17 78674, which again amended the timeline.¹³

18 10. Pursuant to Decision Nos. 78498 and 78674, this Staff Report summarizes the
19 procedural background and history of Docket No. E-00000A-21-0010, the information docketed by
20 stakeholders, Staff’s recommendations, and ACC activities pursuant to the timeline adopted in
21 Decision Nos. 78498 and 78674.

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25 ⁷ Memorandum: Initial Substantive Workshop Presentations, filed by Staff, February 7, 2022, <https://docket.images.azcc.gov/E000017823.pdf?i=1660854012509>

26 ⁸ For the recordings, click on the “Workshops” tab here: <http://www.azcc.gov/live>

27 ⁹ Decision No. 78498, 11, March 2, 2022, <https://docket.images.azcc.gov/0000206080.pdf>

¹⁰ Id. at 5.

¹¹ Decision No. 78582, May 27, 2022, <https://docket.images.azcc.gov/0000206887.pdf>.

¹² Decision No. 78587, June 21, 2022, <https://docket.images.azcc.gov/0000207020.pdf?i=1663787844781>.

¹³ Decision No. 78674, August 22, 2022, <https://docket.images.azcc.gov/0000207406.pdf?i=1663788040338>

III. History

A. Coal Fired Generation in Arizona

11. According to the United States (“U.S.”) Energy Information Administration in 2021, 99 percent of Arizona’s total electricity net generation was provided from six sources: natural gas (43 percent), nuclear power (28 percent); coal (13 percent); solar energy (nine percent); hydroelectric power (five percent) and wind (one percent).

12. At this time, Arizona still has four operating coal-fired generating plants, many of them on tribal lands and in various stages of early retirement. These plants include the Apache Generating Station, the Cholla Power Plant; the Coronado Generating Station, and the Springerville Generating Station. Arizona also receives electricity from the Four Corners Power Plant (“FCPP”), located in Farmington, New Mexico.

13. Most of these plants are planned for early retirement in the not-too-distant future.

14. The Navajo Generating Station (“NGS”), Arizona’s largest coal-fired plant, was retired in November 2019.

Arizona Public Service Company

15. APS jointly owns several coal-fired power plants located on tribal lands in Arizona and near Arizona. These include the FCPP located near Farmington, New Mexico, in which APS is the majority owner and operator holding a 68 percent share of the remaining Units 4 and 5. The other co-owners include Public Service Company of New Mexico (“PNM”) (13 percent), SRP (10 percent) and Tucson Electric Power Company (“TEP”) (seven percent). This plant is projected to be retired in 2031. APS was also a part owner (14.0 percent) of NGS, along with SRP (42.9 percent) and an additional 24.3 percent for the use and benefit of the federal government, NV Energy (11.3 percent) and TEP (7.5 percent). NGS was located near Page, Arizona on tribal lands. The plant was retired in 2019, when its lease expired. It was served by the Kayenta mine.

16. APS also jointly owns the Cholla Generating Station (“Cholla”) located in northern Arizona near Joseph City, Arizona. APS co-owns Cholla with PacifiCorp. The last of four units is scheduled for retirement in 2025. The plant is served by the McKinley Mine which is located east of Window Rock, Arizona in New Mexico. Cholla is not located on tribal lands.

1 17. The Commission issued Decision No. 73183 on May 24, 2012, approving a
2 Settlement Agreement in a rate case. Decision No. 73183 held open the record in the docket to allow
3 APS to file, by December 31, 2013, an application for approval to adjust its rates to reflect its
4 acquisition of Southern California Edison's ("SCE") 48 percent share in the FCPP Units 4 and 5,
5 the retirement of FCPP Units 1 through 3, and any cost deferral authorized in that same docket.

6 18. On December 30, 2013, APS filed its application for approval of a FCPP rate rider.
7 Included in the application was the Direct Testimony of Ms. Elizabeth A. Blankenship. On page 12
8 of Ms. Blankenship's testimony, she explained that the depreciation rate used to calculate the
9 depreciation expense for APS's acquired share of Units 4 and 5 was based on an end-of-life
10 assumption of 2038 for Units 4 and 5. Decision No. 74876 (December 23, 2014) approved the rate
11 rider.

12 19. A Consent Decree (August 17, 2015) with the Environmental Protection Agency
13 ("EPA") required APS to reduce nitrogen oxide emissions at the FCPP. Selective Catalytic
14 Reduction ("SCR") was determined to be the most effective technology. Decision No. 76295
15 (August 18, 2017) approved a rate increase for APS and allowed the docket to remain open for APS
16 to file a request that its rates be adjusted no later than January 1, 2019, to reflect its proposed addition
17 of the SCR equipment at the FCPP. On April 27, 2018, APS filed its request in the consolidated
18 Docket Nos. E-01345A-16-0036 and E-01345A-16-0123, again using an end-of-life assumption of
19 2038 for calculating the depreciation rate.

20 20. In January 2020, APS announced that it would end all coal-fired generation by 2031
21 as part of its commitment to provide customers with 100 percent clean energy by 2050. On March
22 12, 2021, APS announced plans to move toward operating the FCPP seasonally beginning in the fall
23 of 2023.

24 Tucson Electric Power Company

25 21. TEP owns and operates Units 1 and 2 at the Springerville Generating Station located
26 near Springerville, Arizona. Unit 3 is owned (51 percent and 49 percent leased) by Tri-State
27 Generation and Transmission Association. Unit 4 is owned by SRP. It is served by several mines
28 owned by Peabody and the Navajo Nation. TEP's 2020 Integrated Resource Plan ("IRP") calls for

1 a phase-down of its Springerville units, with retirement of one unit in 2027 and the remaining unit
2 by 2032. TEP also has an ownership interest (20 percent) in the San Juan generating plant located
3 between Farmington and Shiprock, New Mexico. Units 2 and 3 were retired in 2017. Unit 1 was
4 retired in 2022. Unit 4 is still operating but may be retiring soon. It is served by the San Juan Mine
5 located near Waterflow, New Mexico. Finally, TEP has a seven percent interest in the remaining
6 units at the FCPP.

7 22. TEP's long-term energy plan calls for closing its remaining coal plants by 2032.

8 Salt River Project

9 23. SRP, while not regulated by the Commission, also participated in the coal impacted
10 communities' workshops and Task Force meetings. SRP wholly owns and operates the Coronado
11 Generating Station located near St. Johns, Arizona. It is served by two mines operated by the Navajo
12 Transitional Energy Company and a mine owned by Arch Coal. Both units are scheduled for early
13 retirement in 2032. Both units are running at reduced capacity. SRP also has an ownership interest
14 in the Springerville Generation Station (Unit 4) and the FCPP (10 percent).

15 *B. Commission Decisions*

16 Arizona Public Service Company

17 24. In approving APS's 2020 Demand-Side Management ("DSM") Plan (Decision No.
18 77763; October 2, 2020), the Commission ordered APS to develop and file for Commission review
19 and approval, a Tribal Energy Efficiency Program proposal and budget to implement energy
20 efficiency projects with the Navajo and Hopi tribal communities impacted by the closure of coal-
21 fired power plants that APS owns or operates, including NGS, FCPP, and Cholla. Decision No.
22 78052 (June 24, 2021) approved the program.

23 25. APS's most recent rate case decision (Decision No. 78317) ordered APS to make
24 payments to the Navajo Nation, the Hopi Tribe, and the Navajo County communities. There were
25 also requirements for job redeployment offers, modifications to the line extension policy, and home
26 and business electrification projects.

27 26. Decision No. 78317 also required Staff to make the Generic Docket a high priority,
28 requiring the Staff to hold both procedural and substantive workshops. It ordered that if the Generic

Docket identifies additional transition assistance that should be provided to the Navajo Nation or the Tribe, and APS desires authorization to recover from its customers the costs of this transition assistance, APS shall file an application, requesting such recovery. The Commission held the rate case docket open for a period of 12 months after the effective date of the Decision for APS to file such a request. If no such request is filed within that time, APS may raise the issue in its next rate case.

Tucson Electric Power Company

27. TEP's most recent rate case Decision (Decision No. 77856, December 31, 2020) ordered Staff to open a generic docket no later than January 17, 2021, to address the impact of the closures of fossil-based generation plant on impacted communities. That generic docket is Docket No. E-00000A-21-0010.

28. Decision No. 77856 also held open the TEP rate case docket for a Phase Two proceeding for receipt of additional evidence and testimony regarding the findings, conclusions, and recommendations in the Generic Docket.

IV. Activities Pursuant to Decision No. 78498

A. Policy Task Force

29. Pursuant to Decision No. 78498, Staff began organizing a Policy Task Force for the Generic Docket in March of 2022, with three subgroups: Subgroup 1 (Funding), Subgroup 2 (Repurposing of Facilities), and Subgroup 3 (Ratepayer Impacts).

30. On March 2 and 3, 2022, Staff emailed invitations to participate in the Policy Task Force to representatives of affected communities and various organizations set out in the table in Finding of Fact No. 25 of Decision No. 78498.¹⁴ Staff compiled all responses to these invitations in addition to those who independently expressed interest in participating in the Policy Task Force into a contact list of members of the Policy Task Force ("Members"). Staff has continually added to the contact list as additional individuals expressed interest in participating.

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¹⁴ Decision No. 78498, 7-8, March 2, 2022, <https://docket.images.azcc.gov/0000206080.pdf>.

31. On March 17, 2022, Staff held an initial meeting of Subgroup 1. On March 23, 2022, Staff held initial meetings of Subgroup 2 and Subgroup 3. Staff summarized the discussions at the meetings and emailed its summary to all Members on April 5, 2022. The summary was also docketed on April 14, 2022.¹⁵ Members were invited to provide comments or corrections to the summaries. No comments or corrections were received.

32. On April 21 and 22, 2022, Staff held a second set of meetings of each subgroup of the Policy Task Force. Staff again produced summaries of the meetings that were emailed to all Members on May 12, 2022, and docketed on June 17, 2022.¹⁶ Members were invited to provide comments or corrections to the summaries. No comments or corrections.

33. All content from each of the Policy Task Force meetings was considered in the development of Staff's recommendations in this Staff Report.

34. The following questions were raised and addressed through the Policy Task Force Subgroups:

Sub-Group 1 -Funding Discussion and Recommendations

35. Sub-Group 1 discussed funding that is available at both the federal and state levels that could assist the tribal entities as they transition away from coal as a primary underpinning of their economy. The following federal laws and working groups were discussed.

- The IWG on Coal Communities Transition ("CCT") issues has developed a database of federal funding opportunities across the entire federal government for which transitioning communities could be eligible. The IWG has also created a concierge service to help energy communities identify appropriate funding opportunities for their needs and to provide technical assistance in submitting applications. The Biden Administration has made federal support for energy communities a priority and developed the IWG to coordinate support across all federal agencies.
- The Bipartisan Infrastructure Law that was passed by Congress in the fall of 2021 has created new funding opportunities that are being cataloged in the IWG database above.

¹⁵ Memorandum: Policy Task Force First Meeting Summaries, April 14, 2022, <https://docket.images.azcc.gov/E000018831.pdf>.

¹⁶ Memorandum: Policy Task Force First Meeting Summaries, April 14, 2022, <https://docket.images.azcc.gov/E000018831.pdf>.

1 36. The following impediments in obtaining these funds and/or shortcomings of this
2 assistance were identified.

- 3 • Federal funding tends not to support general fund needs of local governments
4 but is often more oriented toward one-time investments in infrastructure or
5 programs.
- 6 • Federal funding often requires matching funds, but the federal government
7 has waived matching fund requirements for indigenous communities in many
8 cases.
- 9 • Identifying appropriate funding opportunities, coordinating development of
10 proposals, and writing and submitting proposals can be time consuming and
11 labor intensive, especially for rural communities without dedicated staff to do
12 so.
- 13 • Funding opportunities are usually competitive, and there is no guarantee that
14 time and money spent to develop grant applications will yield new resources.

15 37. Assistance available at the state level was also discussed.

- 16 • The Arizona Commerce Authority works with communities assist with
17 attracting new employers, but it is difficult for locationally disadvantaged
18 rural communities without extensive infrastructure to attract major new
19 employers. Housing shortages; lack of transportation, water, and electricity
20 infrastructure; broadband access, and other issues are common.
- 21 • The Arizona Department of Economic Security provides workforce
22 development and training and ancillary family support services throughout
23 the state but is often reactive to emerging needs rather than proactive in
24 working with communities in advance of an economic shock.
- 25 • The Arizona legislature has not at this time set aside funding opportunities
26 through the state budget.

27 38. It is unknown or unclear what funds the Navajo Nation or Hopi Tribe or any impacted
28 communities have received from other sources.

29 39. Subgroup 1 also discussed whether the Commission's decisions regarding ratepayer
30 funding should depend on the extent of funding from other sources?

31 40. The responses were mixed in this regard. Some participants believe that other
32 funding sources should be taken into account. Others believe they should not be taken into account.

1 For instance, both APS and the Navajo Nation believe that the funding provided by APS is APS's
2 contribution and should be independent of any other funds that are ultimately available to the Navajo
3 Nation.

4 41. Other issues discussed by Subgroup 1 included what should be required of ratepayers.
5 Should ratepayers contribute to funding at all and to what extent and when should ratepayer funding
6 begin?

7 42. The Residential Utility Consumer Office ("RUCO") noted that ratepayers should not
8 be held responsible for coal impacted communities funding since these expenses, according to
9 RUCO, are "not a cost of service." APS and other utilities believe that these costs are part of "cost
10 of service" and that both ratepayers and shareholders (to some extent) should share in the costs.

11 43. The Navajo Nation would limit the costs borne by ratepayers to those costs that but
12 for the early closure of the plant would not have been incurred. Broader forms of relief that fall
13 outside this "but for" direct nexus to plant closure should be looked at but provided by other entities
14 that provide these broader forms of relief.

15 44. The APS rate case order, Decision No. 78317, also included other in-kind non-
16 monetary forms of relief directly targeting the lack of basic utility infrastructure to provide running
17 water and electricity on tribal lands.

18 45. Some of the specific responses follow:

- 19 • The Navajo agreement with APS for funding is to provide direct funding to
20 the Navajo Nation for "but for" costs associated with the plant closures and
21 new economic development.
- 22 • The Hopi Tribe advocates for direct funding by utilities to the Hopi Tribe to
23 support the Tribe's general budget.
- 24 • Funding should go to provide basic infrastructure to improve the quality of
25 life of residents, especially those lacking basic infrastructure such as running
26 water and electricity, especially on tribal reservations. Recruiting yet another
27 extractive industry could lead to the same problems down the road without
28 addressing these basic community needs.
- There needs to be fundamental infrastructure in place to create new economic
opportunities to stabilize the economies of the communities and local
governments.

- Economic development goals for communities will need to look beyond renewable energy developments, since renewable energy infrastructure does not support anywhere near the same number or quality of jobs.
- Economic development and job training programs are ideally undertaken in a proactive rather than reactive manner, and years in advance of any closures and impacts. And there is a need to train for jobs and industries that do not yet exist. Funding for training should go to local educational institutions with strong local connections.
- There needs to be regional planning for economic development, not just individualized planning for individual communities, in order to shift the overall economies of the region. This will require collaborative conversations between impacted communities.
- There needs to be economic diversification into a variety of new industries, not just finding a new “singularity” industry as has existed historically.

46. The question was asked of the Navajo Nation what it would be doing with the money it received in support from the Commission and whether it would be willing to account for the uses to which it was put.

47. The funding is being spent on costs and expenses directly related to the plant closure, with a “but for” relationship in that but for the closure of the plant, the Navajo Nation would not have incurred costs to invest in the site and land transition. The Navajo Nation would maintain its commitment to invest in costs with a “but for” relationship to plant closures, rather than broader social services or community development programs for the Navajo Nation.

48. The Subgroup participants also considered whether and to what extent any Arizona impacted communities ever received transition funding from prior plant closures.

49. Plants closed early should be distinguished from plants that were closed on schedule with their normal operating lifetime. Coal impacted communities’ relief was provided to the Navajo Nation when NGS shut down in 2019. That relief was in various forms. One form of relief offered was job redeployment and training.

50. Subgroup 1 also discussed the importance of the revenues contributed by the plant to the Navajo economy.

51. The tribal communities relied upon the coal plants and the mines that supported them

1 for a significant source of their revenue. The plants were a source of employment for many tribal
2 citizens. The plants provided taxes for the local communities. Lease payments made to the Navajo
3 Nation and Hopi Tribe also provided a significant source of revenue. These sources of revenue will
4 no longer be available for the tribal entities and communities to rely upon.

5 52. The tribal entities all stressed that early notice of closure is important for the tribal
6 entities to plan and prepare for this loss of revenues and overall adverse impact of closure on their
7 communities. The issue of early notice was addressed in Decision No. 78317.

8 Sub-group 2 Repurposing of Facilities – Discussion and Recommendations

9 53. Subgroup 2 discussed a variety of issues including the utilities' plans for replacement
10 power when the power plants shut down.

11 54. The utilities provide useful information in their IRPs filed with the Commission. For
12 instance, the APS IRP includes around 800 Megawatts ("MW") of new generation resources planned
13 before 2024 to prepare for the Cholla plant closure, mostly solar and wind energy. The IRP also
14 estimates investment in another three Gigawatts ("GW") of renewables over the next decade along
15 with appropriate amounts of storage to support them, with 65 percent clean energy supply overall
16 for APS by 2030.

17 55. Subgroup 2 also discussed the efforts impacted communities and others, such as
18 Arizona State University ("ASU"), have made to investigate repurposing of the plants. Many of
19 these efforts are discussed below.

- 20 • St. Johns has been working with a coalition of ASU, SRP, and Department of
21 Energy representatives to explore opportunities including "green" options,
22 conversion to a gas plant, hydrogen opportunities, use of transmission lines
23 and water resources, and potential development of a light industrial park.
- 24 • The Navajo and Apache Counties conducted a 2018 regional economic
25 assessment and strategy for coal plant closures.
- 26 • The Navajo Nation developed a coal impacted communities plan along with
27 APS, which is the basis of the APS CCT funding proposal in its rate case.
- 28 • ASU is supporting conversations in Joseph City about possible reuses of
Cholla, such as office space, recreation and tourism, lake use, metal and
battery recycling, manufacturing and assembly, hydrogen production for

1 long-haul trucking, intermodal rail-to-truck facilities, locomotive and railcar
2 repair facilities, automotive salvage, renewable energy, and production sites.

- 3 • TEP is engaged in several studies to support economic development in
4 communities near the Springerville Generating Station, including St Johns,
5 Springerville, and Eagar.
- 6 • Advanced Energy Economy is willing to facilitate community conversations
7 with advanced energy companies to explore the potential for new
8 investments, and they held a meeting with the Arizona Commerce Authority
9 and the ASU Just Energy Transition Center regarding working together in
10 recruiting new energy businesses to Arizona.

11 56. A question was posed as to what affected communities would need to do better
12 planning for repurposing opportunities?

13 57. The following were identified as important to allow for early planning for purposes
14 of repurposing what is there.

- 15 • Giving communities access to utility inventories or assessments of the assets
16 at each of the plants would be very helpful.
- 17 • But it takes time to develop assessments and studies, and there are tradeoffs
18 in terms of delaying decision-making while waiting for a study to be
19 completed.

20 58. As far as what kinds of uses would provide similar kinds and quality of jobs for
21 unionized contractors who maintain the coal plants, Subgroup 2 participants identified the following:

- 22 • Carbon capture and storage, nuclear, biomass, and hydrogen plants;
- 23 • Hydrogen production facilities;
- 24 • Chemical plants and refineries;
- 25 • Some parts of semiconductor manufacturing facilities, i.e., storage tanks;
- 26 • Water treatment plants and biodigesters generally; and
- 27 • Pumped hydro storage projects.

28 59. It is also important to identify who owns the land and the facilities in each case to
determine what repurposing may be acceptable.

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Subgroup 3 Ratepayer Impacts – Task Force Discussion and Recommendations

60. Subgroup 3 discussed various reasons for holding ratepayers responsible in part for transition costs. Several of these theories included:

- There was a de facto regulatory compact with the impacted communities to operate the plants, and disallowing community transition funding would apply a double standard, allowing regulatory accounting for stranded assets to utilities, but not accounting for expected revenues to communities.
- Repurposing of land and facilities requires remediation costs above and beyond the minimum requirements to comply with federal environmental laws.

61. It was also discussed that if the management of utilities have made the decision to close early, then why should the shareholders not be responsible for these costs rather than ratepayers? In the last APS rate case, the Commission split the cost of home and business electrification projects for the Navajo Nation.

62. In addition, there was discussion as to why the ratepayers of one utility (non-managing part-owner) should be responsible for the decision by another utility's (managing owner) management to close a plant early?

63. In its Memorandum of Understanding ("MOU"), APS provided CCT assistance for its portion of ownership of NGS; this alleviates any concern with cross-subsidization of SRP ratepayers.

64. The Commission's jurisdiction to include some funding in customer rates was also discussed.

65. The underpinnings of the Commission's jurisdiction can be found in Article XV, § 3 of the Arizona Constitution. That clause gives the Commission both exclusive and plenary ratemaking authority. The permissive clause gives the Commission authority over the health and safety and comfort and convenience of the general public in the provision of utility service. The issues of CCT funding likely implicates both clauses of Article XV, § 3 of the Arizona Constitution.

66. From a ratemaking perspective, funding for some community transition costs could likely be considered a cost of service. For instance, some argue that the costs can be likened to

1 decommissioning and dismantlement costs that utilities typically pass on to ratepayers. Others
2 attempt to quantify the benefits received by ratepayers over the years. Still, other theories rely upon
3 compensation for the lost revenues of the tribes brought about by early closure of the plant.
4 Revenues that the tribal members had counted upon and are now there because of the utility's
5 decision to close the plant early.¹⁷

6 67. Funding for decommissioning is a good analogy, where there are prospective
7 investments with utility cost recovery over the operating lifetime of a plant in anticipation of
8 eventual closure. There are always risks of too little or too much being set aside, but that doesn't
9 stop the prospective funding.

10 68. Using ratepayer funds to cover some costs of decommissioning demolition, and
11 repurposing of plant infrastructure is likely legally justifiable than using funds to support general
12 community economic development.

13 69. The Navajo Nation's view of costs appropriate for ratepayer funds would limit the
14 amount to those costs with a direct causal connection to the early closure. In other words, but for
15 the early closure of the plant, the costs would not be incurred.

16 70. In the last APS rate case, the Commission also included in-kind or nonmonetary CCT
17 obligations directly related to the provision of safe and adequate service to tribal members. These
18 forms of relief may be authorized under the permissive clause of Article XV, § 3.

19 71. Broader forms of relief to promote economic development may be better left to other
20 agencies specifically specializing in these types of relief efforts at the state and federal level.

21 72. Subgroup 3 of the Task Force also discussed how ratepayer contributions should be
22 calculated? And how should ratepayer and shareholder contributions be apportioned?

23 73. The following are some of the responses to this question:

- 24
- 25 • Repurposing of land and facilities requires remediation costs above and
26 beyond the minimum requirements to comply with federal environmental
laws.

27
28 ¹⁷ Rate Case testimony filed by APS, the Navajo Nation, the Hopi Tribe the Sierra Club and the San Juan Citizens Alliance Tó Nizhóní and Diné C.A.R.E. support the argument that these costs are a "cost of service." See also, Briefs of APS, San Juan Citizens Alliance Tó, Nizhóní and Diné C.A.R.E, the Hopi Tribe and their filings in this case.

- The APS CCT agreement with the Navajo Nation is a complete negotiated plan to resolve the issues between APS and the Navajo Nation regarding early closure of coal plants, not just NGS, but also FCPP.
- The APS CCT agreement is based on a “zone of possibility” drawn from other decisions around the country and found a number within that band (See Ms. Barbara Lockwood’s testimony in the APS rate case for details).
- A TEP amount could be pro-rated relative to the APS CCT plan, based on the relative amount of TEP’s participation in plants impacting the Navajo Nation.

74. There are wide variations in plant assets among the different plants in Arizona, so conversations about investing in future uses of plant assets and land should be determined on a case-by-case basis. The Task Force should not just provide a single blueprint for monetary compensation or other support based on generation capacity, past revenues, employment and wages, and the like.

75. Subgroup 3 also discussed some of the cost impacts to ratepayers for community transition funding.

- Ratepayers will benefit from the lower costs of service for new renewable energy compared with higher costs of service for coal plants.
- The incremental cost to individual ratepayers of a \$10 million per year APS fund would be miniscule – a “back of the envelope” calculation estimated 0.3 percent increase to the overall APS revenue requirement.

76. Subgroup 3 looked at who has benefited more over time from the coal plants, ratepayers, shareholders, or communities? And how much have ratepayers benefited historically from the plants over their operating lifetimes?

77. The Peabody Coal Controversy was brought up as an example of ratepayers potentially benefitting at the expense of tribes, due to underpayment of coal royalties to the tribes and potentially cheaper costs of coal to the coal plants.

78. Finally, Subgroup 3 considered the situation where the plants do not end up shutting down early, or as projected, given that the San Juan Generating Station in New Mexico has had its closure delayed due to failure to obtain authorization from the New Mexico Public Regulation Commission (“NMPRC”)? Growing reliability concerns in the western grid could lead to rethinking

of closure plans by utilities or commissions.

79. Participants offered the following responses:

- Utility commitments to close Arizona coal plants are very strong, either required by law or with strong economic and environmental drivers in favor of early closure.
- If utilities changed course, they could have strong headwinds from investors and potential U.S. Securities and Exchange Commission (“SEC”) issues.
- There is a lot of forewarning with the Four Corners closure, and it is possible to design a system that reliably integrates large portions of renewables even if renewables have lower capacity factors than coal plants.
- The resource planning departments of the utilities are well-aware of these reliability concerns and have studied them, and still put forward the closure plans in their most recent IRPs with that knowledge.
- Utility IRPs are planning documents but are adapted and revised in each new planning period based on new market information.
- Funding for decommissioning is a good analogy, where there are prospective investments with utility cost recovery over the operating lifetime of a plant in anticipation of eventual closure. There are always risks of too little or too much being set aside, but that does not stop the prospective funding.

B. Town Hall Meetings

80. Pursuant to the list of town hall meeting locations adopted in Finding of Fact No. 28 in Decision No. 78498, Staff worked with the Commissioner’s offices to organize the following in-person town hall meetings:¹⁸

Location:	Time/Date:	Hosted By:
Joseph City, AZ	6:00 p.m., April 27, 2022	Commissioner Tovar
St. Johns, AZ	6:00 p.m., April 28, 2022	Commissioner Tovar
Page, AZ	5:00 p.m., May 24, 2022	Chairwoman Márquez Peterson
Holbrook, AZ	5:00 p.m., May 25, 2022	Chairwoman Márquez Peterson
Eagar, AZ	5:00 p.m., May 26, 2022	Chairwoman Márquez Peterson
Shiprock, NM	6:00 p.m., June 16, 2022	Commissioner Tovar
Farmington, NM	9:00 a.m., June 17, 2022	Commissioner Tovar
Kayenta, AZ	6:00 p.m., June 21, 2022	Commissioner Kennedy
Hard Rock, AZ	1:00 p.m., June 22, 2022	Commissioner Kennedy

¹⁸ Decision No. 78498, 10, <https://docket.images.azcc.gov/0000206080.pdf>.

Keams Canyon, AZ	6:00 p.m., June 22, 2022	Commissioner Kennedy
Tuba City, AZ	6:00 p.m., June 23, 2022	Commissioner Tovar

81. Where possible, each town hall meeting was recorded and placed for viewing on the Commission's website.¹⁹ Staff attended each of the town hall meetings, recorded attendance and speakers, and took notes regarding the substantive content discussed.

82. The Commission also held five virtual town hall meetings from August 8, 2022, through August 11, 2022, detailed in the following table:

Time/Date:	Hosted By:
6:00 p.m., August 8, 2022	Commissioner Tovar
1:00 p.m., August 9, 2022	Commissioner Tovar
9:00 a.m. and 6:00 p.m., August 10, 2022	Commissioner Tovar
3:00 p.m., August 11, 2022	Commissioner Tovar

83. In attendance were the Commissioners, Staff, regulated and non-regulated utilities, stakeholders, and members of the public. All recordings from the townhall meetings can be found in the archive on the Commission website, click on the "Other Meetings" tab here: <http://www.azcc.gov/live>.

84. All content from each of the town hall meetings was considered in the development of Staff's recommendations in this Staff Report.

85. Staff identified the following key themes from the public comments made throughout the town hall meetings:

1. Commenters were nearly unanimous in opposition to the closure of coal plants.
2. Commenters frequently stated the following reasons for opposition to the closures:
 - a. Loss of tax revenue for local public services;
 - b. Loss of employment for local community members;

¹⁹ For the recordings, click on the "Other Meetings" tab here: <http://www.azcc.gov/live>.

- c. Any new economic development will not provide anywhere near the same number of jobs or same level of wages to replace what is lost;
 - d. Turning to tourism for economic development will dramatically alter the community character;
 - e. Loss of donations and other support by utility companies to local community events and fundraising drives;
 - f. Loss of local community due to migration of community members seeking employment elsewhere;
 - g. Loss of other local businesses due to secondary economic impacts of employment losses and community migration;
 - h. Loss of community volunteerism (coaching youth sports, local board participation, etc.) due to breadwinners working elsewhere and only returning on weekends or occasionally for quality time with family;
 - i. Loss of grid reliability due to inability of renewable energy and battery storage to replace the benefits of coal plants;
 - j. Loss of low-cost electricity for the grid;
 - k. Renewable energy is subsidized and not competing on an even economic playing field with coal plants;
 - l. Loss of value of using America's natural resources domestically, as coal will be exported to other countries for use;
 - m. Concerns about increased global pollution due to lack of emissions controls in countries importing American coal; and
 - n. Concerns about prioritizing environmentalism over the human costs to communities of shutting down their vital industries.
3. Commenters frequently recommended that if the coal plants must be closed, options for economic development and addressing the above losses should be investigated through:
- a. Cancelling plans to prematurely close the coal plants, and instead reinvesting in plant maintenance and capital investments;
 - b. Converting the plants to utilize Carbon Capture and Storage ("CCS") technology to continue operating the coal plants beyond their scheduled closure dates;

- c. Repurposing the plants to use other fuel sources such as biomass or hydrogen;
 - d. Repurposing the plants for new energy sector uses such as hydrogen production facilities and renewable energy facilities leveraging the existing transmission lines;
 - e. Repurposing the plants for other industrial uses such as new manufacturing facilities or intermodal logistics hubs that leverage the proximity of plant rail lines and local highway corridors; and,
 - f. Preserving key plant infrastructure for new purposes, such as rail lines, water wells and ponds, and transmission lines and substations.
4. Lessons can be learned from communities that have already felt the impacts of the loss of the NGS:
- a. Several commenters at the Page town hall held up Zenni Homes as an example of the kind of new businesses that impacted communities should aim to recruit – smaller, but more realistic in size and scope than trying to directly replace the power plants with another single industry or plant in number and quality of jobs. And a diversity of such businesses could help stabilize local economies.
 - b. The City Manager noted retraining programs offered to plant workers were not very effective because they tended to emphasize training for Information Technology (“IT”) jobs that were unrealistic for coal plant operators with decades of experience in vastly different skillsets.
 - c. Most new jobs in Page have been in the tourist industry, which tend to be low-paying service sector jobs, rather than the quality high paying jobs the plant provided.
 - d. Road quality between Page and Flagstaff hampers development of manufacturing businesses due to potential shipping damage and timeliness of shipments, so it is important to invest in infrastructure to enable new business development.
 - e. Many workers took job offers in the Phoenix area and left family in Page or nearby Navajo communities. These workers face double the housing costs, plus large transportation costs from visits back and forth regularly. Families are also fractured, with breadwinners who are not present most of the time, and placing social burdens on spouses, grandparents, and friends to raise children while they are away.

C. *Docketed Materials*

Commissioner Letters and Responses

Chairwoman Márquez Peterson

86. On February 25, 2022, Chairwoman Márquez Peterson filed a letter in the docket detailing her concerns and expectations regarding the utilities' intent to close fossil-based generation facilities on impacted communities. In addition, the Chairwoman's letter included questions for coal-impacted communities. Below is a link to the Chairwoman's letter.

<https://docket.images.azcc.gov/E000018027.pdf?i=1661459464166>

87. On March 3, 2022, RUCO filed a response to the Chairwoman's February 25, 2022, letter. Below is a link to RUCO's response.

<https://docket.images.azcc.gov/E000018135.pdf?i=1662578316019>

88. On April 7, 2022, APS filed a response to the Chairwoman's February 25, 2022, letter. Below is a link to APS's response.

<https://docket.images.azcc.gov/E000018688.pdf?i=1662578316019>

89. On April 20, 2022, the Navajo Nation filed comments in response to the Chairwoman's February 25, 2022, letter. Below is a link to the Navajo Nation's response.

<https://docket.images.azcc.gov/E000018907.pdf?i=1662578316019>

90. On May 31, 2022, Chairwoman Márquez Peterson filed a letter in the docket listing her "notes on the recommendations of the community" during the town halls held by the Commission on May 24, 25, and 26, 2022. Below is a link to the Chairwoman's letter.

<https://docket.images.azcc.gov/E000019464.pdf?i=1661459464166>

91. On July 29, 2022, Chairwoman Márquez Peterson filed a letter in the docket requesting that Freeport-McMoRan participate in the Substantive Workshop held on August 1, 2022, or share its experience in "transition and revitalizing Arizona's communities." Below is a link to the Chairwoman's letter to Freeport-McMoRan.

<https://docket.images.azcc.gov/E000020399.pdf?i=1662593671747>

92. On August 11, 2022, Freeport-McMoRan filed a response to the Chairwoman's July 29, 2022, letter providing information about Freeport-McMoRan's "approach and practices related

to preparing communities for transition to a post-production scenario.” Below is a link to Freeport-McMoRan’s response.

<https://docket.images.azcc.gov/E000020586.pdf?i=1662765717065>

Commissioner Kennedy

93. On May 27, 2022, Commissioner Kennedy filed a letter in the docket requesting the Chief Executive Officers of APS, TEP, and UNS Electric, Inc. (“UNSE”), respond to specific questions that were included in her letter. Commissioner Kennedy also requested SRP respond with relevant information. Below is a link to Commissioner Kennedy’s letter.

<https://docket.images.azcc.gov/E000019453.pdf?i=1661459464166>

94. On June 10, 2022, Sierra Club filed comments to Commissioner Kennedy’s letter. Below is a link to Sierra Club’s response.

<https://docket.images.azcc.gov/E000019652.pdf?i=1662593671747>

95. On July 15, 2022, APS filed its response to Commissioner Kennedy’s letter. Below is a link to APS’s response.

<https://docket.images.azcc.gov/E000020186.pdf?i=1662593671747>

96. On July 15, 2022, TEP filed its response to Commissioner Kennedy’s letter. Below is a link to TEP’s response.

<https://docket.images.azcc.gov/E000020168.pdf?i=1662765717065>

Stakeholder Comments

97. Various Stakeholders provided comments in the Docket for Commission consideration. The comments submitted covered topics such as follows:

- Recommended locations for Commission town halls,
- Repurposing of Plants and Facilities,
- Benefits and Impacts to Ratepayers,
- Legal authority of the Commission to compensate coal impacted communities,
- Regional Economic Assessment and Strategy for Navajo and Apache Counties,

- Legal obligation of Arizona electric utilities and their customers to fund coal impacted communities support,
- Work plan to conduct an electrification census on the Navajo Nation and Hopi Reservation,
- Role of carbon capture and storage in a Net-Zero California,
- Accelerating an Equitable Clean Energy Transition in New Mexico,
- Impact of plant closure to Joseph City Schools, plant repurposing, and recommendations to the Commission,
- Recommendations for Commission action and future steps related to coal impacted communities,
- Policy recommendations and impact of closures of fossil-based generation plants on surrounding communities,
- Just and equitable transition support,
- Ratepayer vs. Shareholder responsibility,
- Utilities grant application process and funding assistance,
- CCT planning efforts,
- Clean-energy conversion scenarios,
- Estimating the Impacts of Reduced Operations at, and the Closures of, the Springerville and Coronado Generating Stations, and
- Economic Impacts on the Hopi Tribe and Navajo Nation.

98. Below are the links to the various Stakeholder comments:

January 5, 2022

- Sheryl Hamlin
<https://docket.images.azcc.gov/E000017241.pdf?i=1662579219697>.

January 20, 2022

- Todd F. Kimbrough – Navajo Nation
<https://docket.images.azcc.gov/E000017470.pdf?i=1662579219697>.

January 21, 2022

- Ellen Zuckerman and Caryn Potter – Southwest Energy Efficiency Project (“SWEEP”)
<https://docket.images.azcc.gov/E000017480.pdf?i=1662579219697>.

- Todd Komaromy – APS
<https://docket.images.azcc.gov/E000017484.pdf?i=1662579219697>.
- Andrea Jacobo – TEP
<https://docket.images.azcc.gov/E000017490.pdf?i=1662579219697>.
- Jennifer B. Anderson, Atty – Tó Nizhóni Ání, Dine' C.A.R.E., Black Mesa Trust, and San Juan Citizens Alliance
<https://docket.images.azcc.gov/E000017493.pdf?i=1662579219697>.

February 16, 2022

- Terry Finefrock
<https://docket.images.azcc.gov/E000017930.pdf?i=1662579219697>.

February 24, 2022

- Todd F. Kimbrough – Navajo Nation
<https://docket.images.azcc.gov/E000018015.pdf?i=1662579219697>.

March 31, 2022

- Keith Johnson – Navajo and Apache Counties
<https://docket.images.azcc.gov/E000018550.pdf?i=1662579219697>.

April 22, 2022

- Todd Komaromy – APS
<https://docket.images.azcc.gov/E000018938.pdf?i=1662579219697>.

May 2, 2022

- Elizabeth Lawrence – APS
<https://docket.images.azcc.gov/E000019092.pdf?i=1662579219697>

May 9, 2022

- Daniel R. Muth PLS CFedS GISP
<https://docket.images.azcc.gov/E000019157.pdf?i=1662579219697>

May 10, 2022

- Jacob Evenson – Boilermakers Local 627
<https://docket.images.azcc.gov/E000019192.pdf?i=1662579219697>

May 18, 2022

- Eric Frankowski – Western Clean Energy Campaign
<https://docket.images.azcc.gov/E000019308.pdf?i=1662579219697>

May 31, 2022

- Jacob Evenson – Boilermakers Local 627
<https://docket.images.azcc.gov/E000019461.pdf?i=1662579219697>
- Bryan Fields
<https://docket.images.azcc.gov/E000019466.pdf?i=1662579219697>

- Todd Kimbrough, Atty., et. al. – Navajo Nation, et. al.
<https://docket.images.azcc.gov/E000019466.pdf?i=1662579219697>
- Caryn Potter, Sandy Bahr, Adam Stafford, Nicole Horseherder, Mike Eisenfeld, Ben Nuvamsa – SWEEP, Western Resource Advocates, Sierra Club, Tó Nizhóni Ání, San Juan Citizens Alliance, and Black Mesa Trust
<https://docket.images.azcc.gov/E000019480.pdf?i=1662579219697>

June 28, 2022

- Dr. Laura M. Mike – Navajo United Way, Inc.
<https://docket.images.azcc.gov/E000019896.pdf?i=1662579219697>

July 7, 2022

- Mable Franklin
<https://docket.images.azcc.gov/E000020026.pdf?i=1662579219697>

July 15, 2022

- Daniel W. Pozefsky, Chief Counsel – RUCO
<https://docket.images.azcc.gov/E000020161.pdf?i=1663633415666>
- Andrea Jacobo – TEP, et al.
<https://docket.images.azcc.gov/E000020166.pdf?i=1662579219697>
- Andrea Jacobo – TEP
<https://docket.images.azcc.gov/E000020167.pdf?i=1662579219697>
- Elizabeth Lawrence – APS
<https://docket.images.azcc.gov/E000020183.pdf?i=1662579219697>
- Nicole Horseherder, Caryn Potter, Sandy Bahr, Alex Routhier, Ben Nuvamsa, Mike Eisenfeld - Tó Nizhóni Ání, SWEEP, Sierra Club, Western Resource Advocates, Black Mesa Trust, San Juan Citizens Alliance
<https://docket.images.azcc.gov/E000020187.pdf?i=1662579219697>

July 20, 2022

- Patricia Blair
<https://docket.images.azcc.gov/E000020226.pdf?i=1662579219697>

July 21, 2022

- Paul Ramsey, City Manager - City of St. Johns
<https://docket.images.azcc.gov/E000020241.pdf?i=1662579219697>

July 22, 2022

- David Felix – SRP and TEP
<https://docket.images.azcc.gov/E000020266.pdf?i=1662579219697>

July 29, 2022

- Todd F. Kimbrough, Atty. – Navajo Nation
<https://docket.images.azcc.gov/E000020392.pdf?i=1662579219697>

August 1, 2022

- Shelby Stults – Advanced Energy Economy
<https://docket.images.azcc.gov/E000020416.pdf?i=1662579219697>

August 15, 2022

- Horseherder, Vernon Masayesva, Sandy Bahr, Mike Eisenfeld, and Caryn Potter - Tó Nizhóní Ání, Black Mesa Trust, Sierra Club, San Juan Citizens Alliance and SWEEP
<https://docket.images.azcc.gov/E000020634.pdf?i=1662579219697>

August 23, 2022

- Amy Mignella, Atty. – Hopi Tribe
<https://docket.images.azcc.gov/E000020739.pdf?i=1662579219697>

August 30, 2022

- Nicole Horseherder, et. al. - Tó Nizhóní Ání et al.
<https://docket.images.azcc.gov/E000020852.pdf?i=1662579219697>

September 1, 2022

- Nicole Horseherder, et. al. - Tó Nizhóní Ání et al.
<https://docket.images.azcc.gov/E000020915.pdf?i=1662579219697>

D. Second Substantive Workshop – August 1, 2022

99. On August 1, 2022, pursuant also to Decision No. 78317, Staff hosted a second substantive workshop. The second substantive workshop served as a final opportunity, before the docketing of the final Staff Report, for stakeholders to provide updates, recommendations, and outstanding questions related to the docket's substantive and procedural directives. Verbal updates were provided by utilities including APS, TEP, and SRP; as well as Arizona state governmental entities, including RUCO. Individuals from impacted communities (including the Navajo Nation, Hopi Tribe, and City of Farmington) provided updates, recommendations, and general conclusive remarks. Additional updates, recommendations, and general comments presented by stakeholders can be viewed through the recording of the workshop, which is accessible through the Commission's live recordings archive under "Workshops".²⁰

²⁰ For the recordings, click on the "Workshops" tab here: <http://www.azcc.gov/live>.

V. Taxes, Fees, Royalties, and Decommissioning Fund

100. Based upon the data responses attached as Exhibit 1 and Exhibit 2, the ratepayers for APS, TEP, SRP, and UNS Electric, Inc., have paid to date in aggregate billions of dollars for Taxes & Fees, Royalties, and Decommissioning.

VI. Reliability and Resource Adequacy

101. Based on the information provided by the regulated entities, the industry, and other associations, resource adequacy going forward is a concern for all regulated entities and regulators. Early closure of fossil-fueled generating plants may jeopardize reliability and resource adequacy. If this is the case, APS may need to reconsider the early closure of FCPP.

VII. Conclusions and Recommendations

102. In January of 2020, APS announced the early closure of the FCPP (in 2031 rather than 2038). The life of the plant was determined to be 2038 at the time the decision was made to implement the SCR upgrades to maintain compliance with Environment Protection Agency requirements. This early closure announcement came at the discretion of APS management and after the 2019 APS Rate Case was filed in October of 2019. The early closure of the plant has led to discussions of the next steps regarding: (1) a need for ratepayers to fund the MOU that APS has executed with the Navajo Nation, (2) a need for an established process on handling the stranded investment costs in the future, (3) a need to address the loss of jobs not only for those employed at the plant but also those union construction workers employed by the plant, and (4) a need to address the impact on the community. Absent the announcement of early closures of the existing coal plants, this concern with the next steps would not exist.

103. In addition, APS is suggesting the use of a regulatory asset to account for the early closure of FCPP. Staff has concerns with establishing a regulatory asset on plant that is used and useful just because the plant may be closing earlier than the useful life of the plant.

104. Given all of the available information, Staff makes the following conclusions:

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...

...

Conclusions

105. In January 2020, APS, based on management discretion, announced the early closure of the FCPP. Prior to the announcement, FCPP had a retirement date of 2038. APS is now proposing to close the plant in 2031. Seven years sooner than earlier projections.

106. The FCPP, from a regulatory accounting perspective, is used and useful until 2038 based on the improvements made to the FCPP following the agreement with the EPA.

107. Through existing accounting treatment, such as depreciation and remediation funding, the APS ratepayers have already paid a portion of the cost of the FCPP.

108. Early retirement of FCPP may lead to stranded investment costs that APS ratepayers will be asked to pay for in addition to the cost of the replacement power. APS customers may be asked to pay for the same power two times.

109. Ratepayers have already contributed billions of dollars toward the decommissioning fund, taxes, and royalties for FCPP and NGS (See Exhibits 1 and 2).

110. Since FCPP is physically located in New Mexico, Staff believes this is a multi-state issue and APS ratepayers should not be the only contributors toward compensation for the possible early closure.

111. FCPP is jointly owned by APS, TEP, SRP, and PNM. Staff believes this is a multi-jurisdictional issue and APS ratepayers alone should not be held responsible for the possible early closure (PNM is not under ACC jurisdiction).

112. Consistent with Commission direction, APS should first seek other means of funding for the possible early closure of FCPP.

113. When announcing the early closure of FCPP in January of 2020, APS had a pending rate case application. The application was not amended to account for the possible early closure, although APS eventually addressed the issued in its rebuttal testimony. APS did not provide the economic impact on the ratepayer.

114. APS unilaterally signed a MOU with the Navajo Tribe without consultation with the Commission or RUCO.

...

115. Absent APS's announcement to shut down FCPP early, there would not be a need to address the impact to communities.

116. If ratepayers are to be assessed a surcharge today, it would be difficult, if not impossible, to recoup the surcharge dollars if APS reverses its decision on the early closure.

Recommendations

117. In making its recommendations, Staff considered the fact that APS did not provide any information to justify its request for a surcharge nor did APS provide any information or analysis as to the economic impact to ratepayers.

118. In addition, since the new early closure is not until 2031, Staff believes it is premature to authorize a surcharge. Considering all the resource needs going forward and the availability of those resources at critical times throughout the day, APS may need to reconsider closing Four Corners. Staff is not in a position to tell APS management what to do or not to do when managing the resources for the Company.

1. Staff believes APS should honor the MOU or any other tribal payment obligations or commitments made. Although Staff recognizes the existing MOU, consistent with Decision No. 78317, specifically on page 172, lines 14 and 15, where the Commission declined to approve the MOU, Staff continues to recommend that the Commission not approve the MOU. As stated, APS unilaterally signed an MOU to commit millions of dollars of ratepayer funds without consulting with regulators and the agency that is responsible for protecting residential ratepayers. Based on all of this, APS should honor the commitment without ratepayer funds.
2. Staff recommends that APS ratepayers not be assessed an added surcharge to reflect the provisions of the MOU or any other items raised in this proceeding.
3. Staff recommends that APS look for grant opportunities that may be available to assist the Navajo Nation and Hopi Tribe with the upgrading of infrastructure and living conditions with the tribal areas. APS should docket its findings within 120 days of a Decision in this case.
4. Since this is a state-wide issue, Staff recommends that APS seek the assistance of the legislature and the governor to secure additional funding to assist the tribal communities.
5. Staff believes that APS and/or TEP should provide all economic impact studies performed, at least two years before APS and/or TEP commences

early closure of a fossil-based generation plant to demonstrate the economic impact on the customers.

6. After the completion of the economic impact studies noted in Recommendation No. 5, APS and/or TEP should docket a proposal for the repurposing of plant facilities/land/services that are within the ownership/control of APS and/or TEP within 90 days.
7. If the determination is made to proceed with closing the FCPP early, APS should, at least four years prior to the closing of the plant, begin offering training and educational opportunities for those affected by the early closure of the plant.

CONCLUSIONS OF LAW

1. The Commission has jurisdiction over public service corporations pursuant to Article XV Section 2 of the Arizona Constitution.

2. The Commission has jurisdiction over the subject matter of this proceeding.

3. The Commission, having reviewed Staff's memorandum, finds that it is in the public interest to adopt Staff's proposed recommendations.

ORDER

IT IS THEREFORE ORDERED that Arizona Public Service Company shall honor the Memorandum of Understanding or any other tribal payment obligations or commitments made without using ratepayer funds.

IT IS FURTHER ORDERED that this Decision does not constitute approval of the Memorandum of Understanding.

IT IS FURTHER ORDERED that Arizona Public Service Company ratepayers shall not be assessed an added surcharge to reflect the provisions of the Memorandum of Understanding or any other items raised in this proceeding.

IT IS FURTHER ORDERED that Arizona Public Service Company shall look for grant opportunities that may be available to assist the Navajo Nation and Hopi Tribe with the upgrading of infrastructure and living conditions with the tribal areas. Arizona Public Service Company shall docket its finding withing 120 days of a Decision in this case.

...

1 IT IS FURTHER ORDERED that since this is a state-wide issue, Arizona Public Service
2 Company shall seek the assistance of the legislature and the governor to secure additional funding
3 to assist the tribal communities.

4 IT IS FURTHER ORDERED that Arizona Public Service Company and/or Tucson Electric
5 Power Company shall provide all economic impact studies performed, at least two years before
6 Arizona Public Service Company and/or Tucson Electric Power Company commences early closure
7 of a fossil-based generation plant to demonstrate the economic impact on the customers.

8 IT IS FURTHER ORDERED that after the completion of the economic impact studies noted
9 in the ordering paragraph above, Arizona Public Service Company and/or Tucson Electric Power
10 Company shall docket a proposal for the repurposing of plant facilities/land/services that are within
11 the ownership/control of Arizona Public Service Company and/or Tucson Electric Power Company
12 within 90 days.

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IT IS FURTHER ORDERED that if the determination is made to proceed with closing the Four Corners Power Plant early, Arizona Public Service Company shall, at least four years prior to the closing of the plant, begin offering training and educational opportunities for those affected by the early closure of the plant.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRWOMAN MÁRQUEZ PETERSON

COMMISSIONER KENNEDY

COMMISSIONER OLSON

COMMISSIONER TOVAR

COMMISSIONER O'CONNOR

IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2022.

MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:BD:elr/MAS